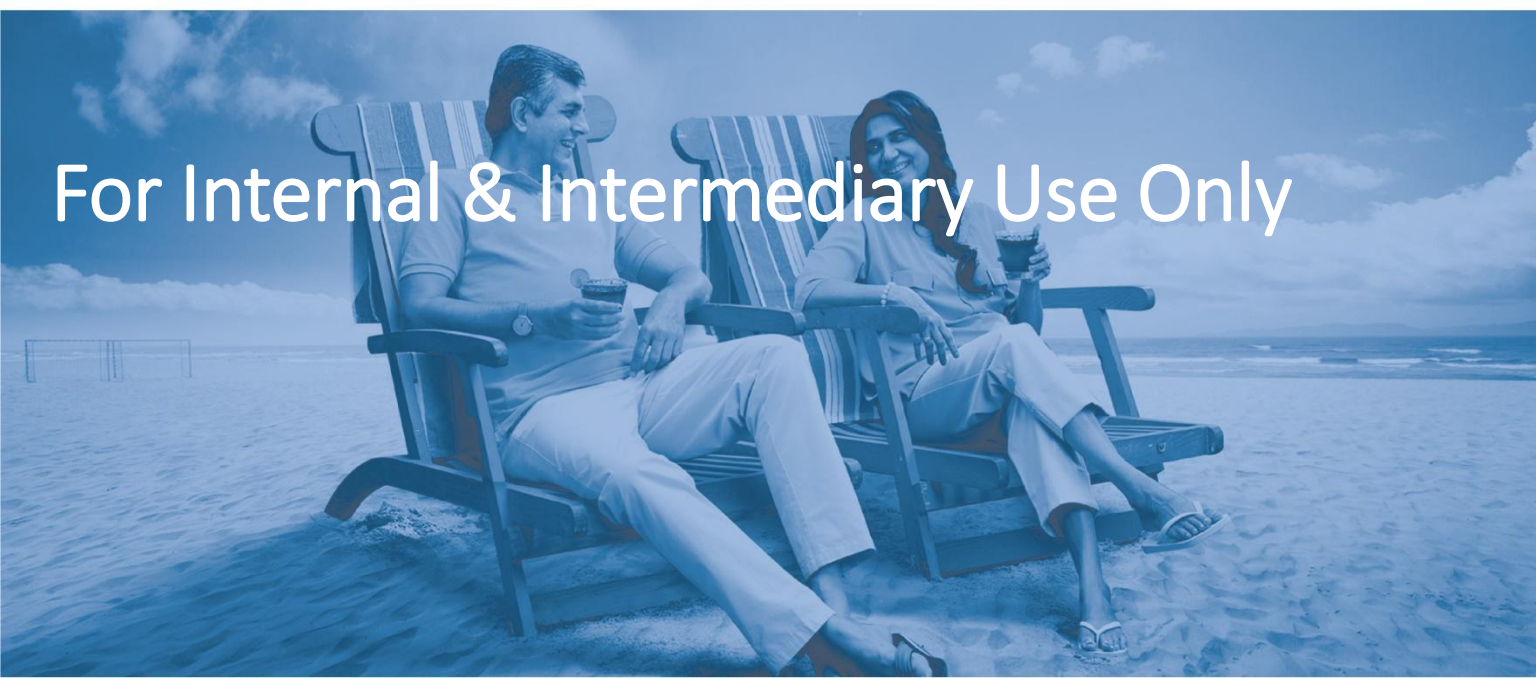




BALIC – Market Insights

April 2025



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Key themes Covered

**Global Macros &
Markets**

**India's Structural
Growth Trajectory
Remains Intact**

**RBI Monetary Policy
Committee Meeting -
Outcome**

**Market
Flows**

**Market
Valuations**

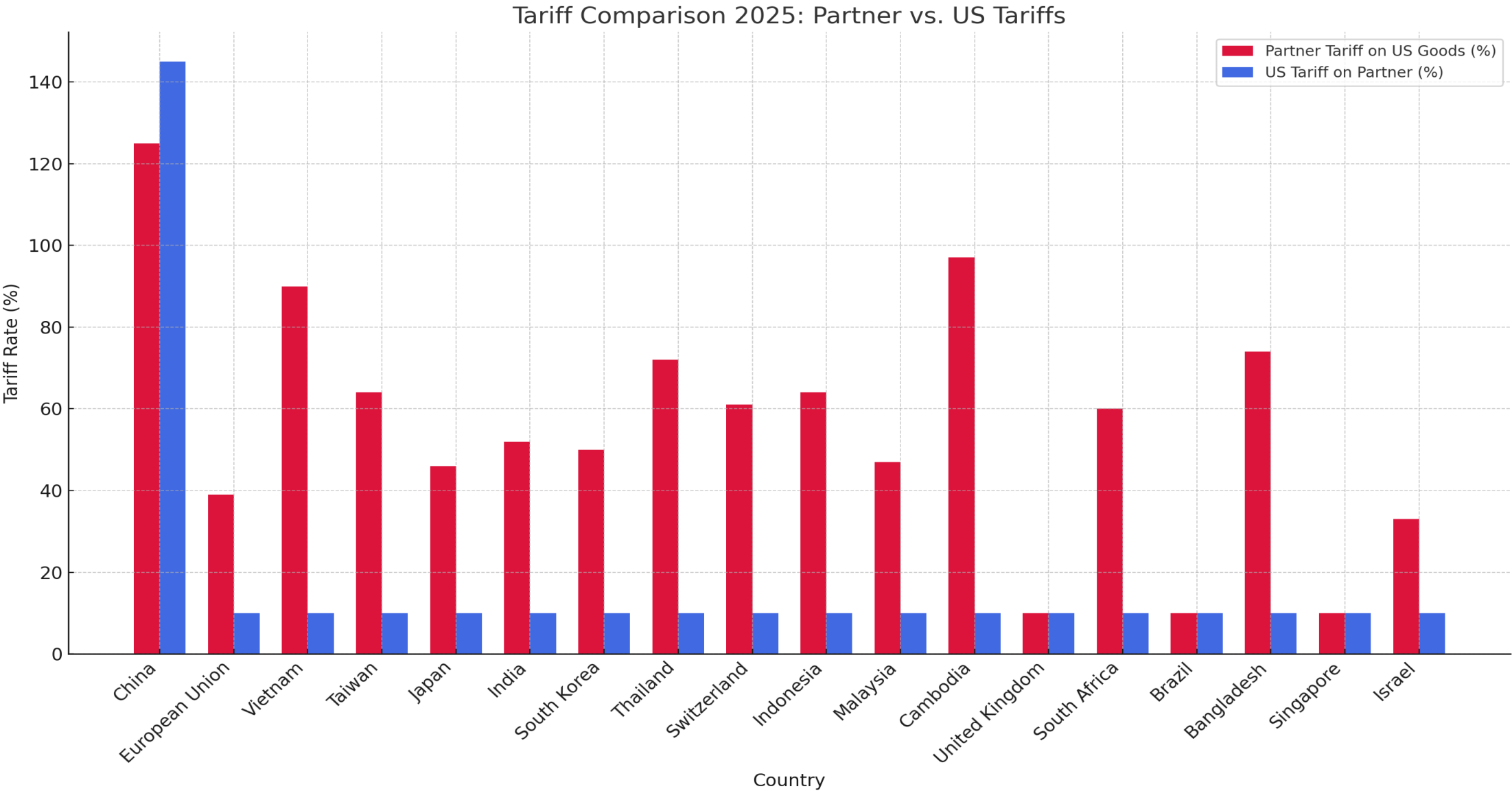
**Market
Outlook**

Global Macros & Markets

US tariffs – global impact

- The global macro environment has been extremely volatile in the last few months with hectic news flow around US tariffs.
- Given the heightened volatility, risk assets (US Equities, cryptocurrencies, crude oil etc.) corrected sharply from their recent highs
- President Trump announced substantial 'reciprocal tariffs' on all major trading partners of the US on 02nd April 2025.
- However, these were paused for 90-days and a baseline tariff of 10% is now in place for US imports from all countries except China.
- Cell phones, semiconductors, and other electronic items are currently exempt from these tariffs and reports suggest that the US is planning to provide some tariff relief to Auto companies as well.
- The US Fed has maintained a pause on interest rates post its last cut in Dec'2024. However, the dot plots released in March'2025 imply 50bps rate cuts during the rest of 2025 and another 50bps in 2026.
- Growth outlook for the US economy has worsened in recent months with many economists raising the probability of the US going into a recession soon. The same was also visible in the economic projections by the US Fed which projected 40bps lower GDP growth in CY25 at 1.7%.
- The impact of tariffs and worsening outlook for the US is also visible in other areas like a ~10% decline in the US Dollar index from its recent highs and increased volatility in the US bonds markets with the yields rising despite the outlook for Fed rate cuts ahead.

U.S. Tariff Rates vs. Partner Tariffs on U.S. Goods (2025) Across Countries

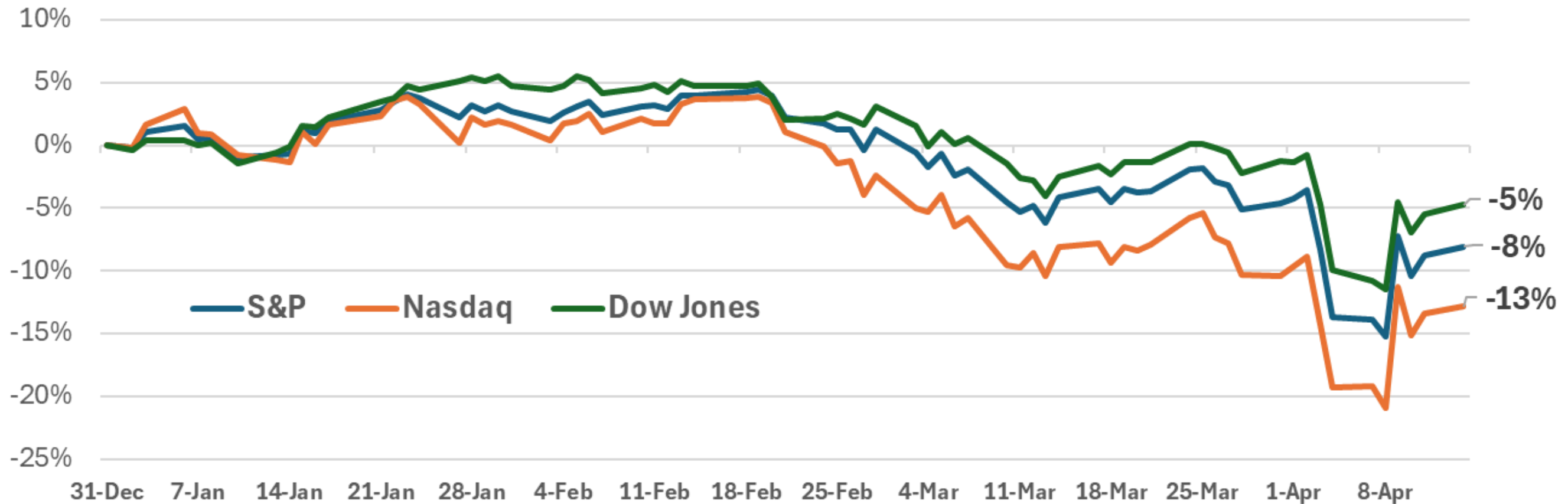


Source: White House.
Updated on 9 April 2025.

- The above data is from a USTR report which was used to calculate the reciprocal tariff rates.
- The calculations appear to be **arbitrary**, for example – In case of India the study indicates that India imposes around ~55% tariff on US goods, however, the actual number is around 11-12%.
- The U.S. has raised tariffs not just on China, but on many countries—it may result in a tougher global trade environment that could impact supply chains and prices across the globe.

Impact of tariffs on US equity markets

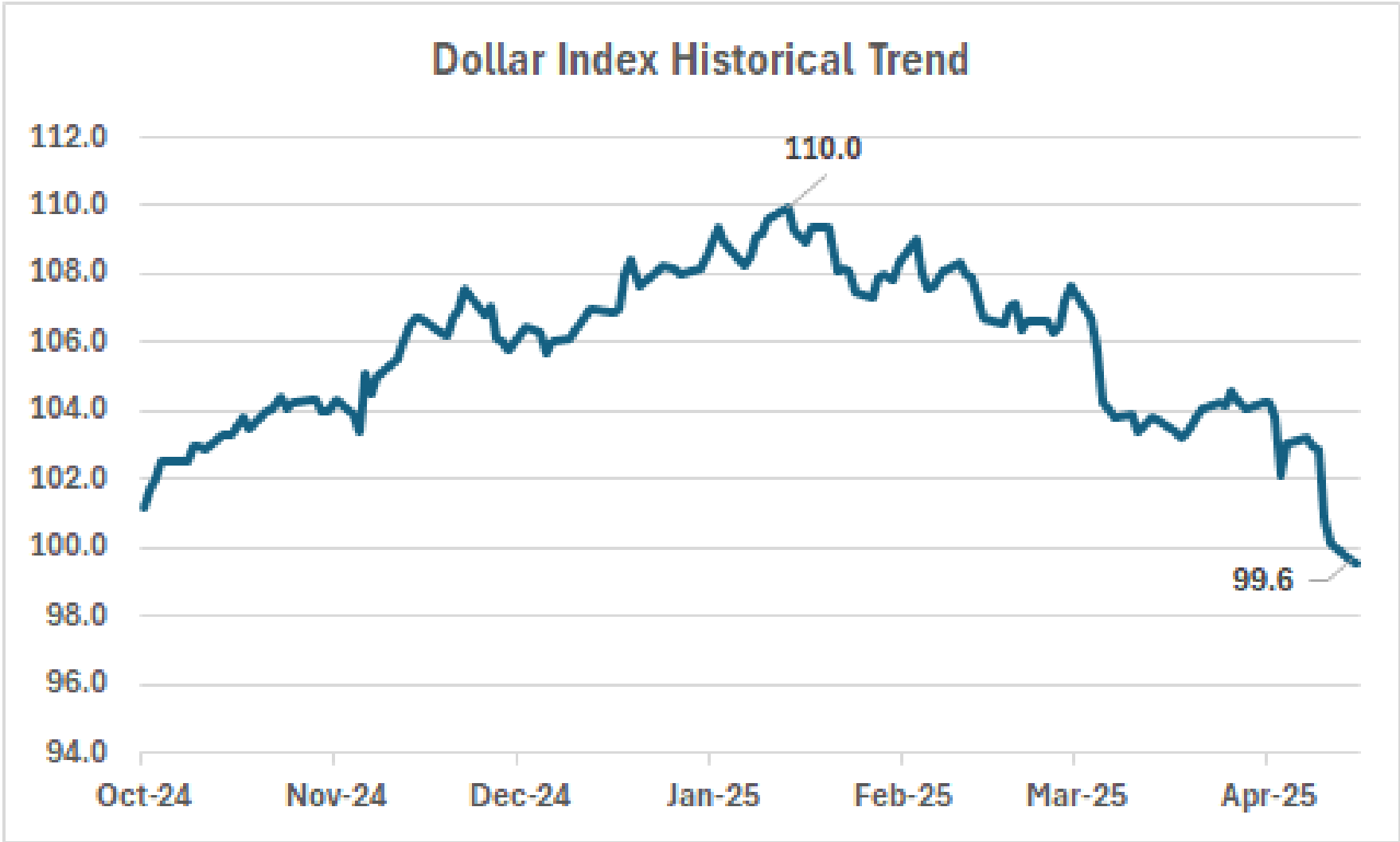
US market CYTD performance



Source: Bloomberg

- US equity markets have corrected sharply post the announcement of reciprocal tariffs due to fears of a slowdown on account of trade disruptions.
- Key indices are still down between 5-13% on YTD basis despite some recovery after the announcement of the 90-day pause.

Dollar Index Has Also Weakened

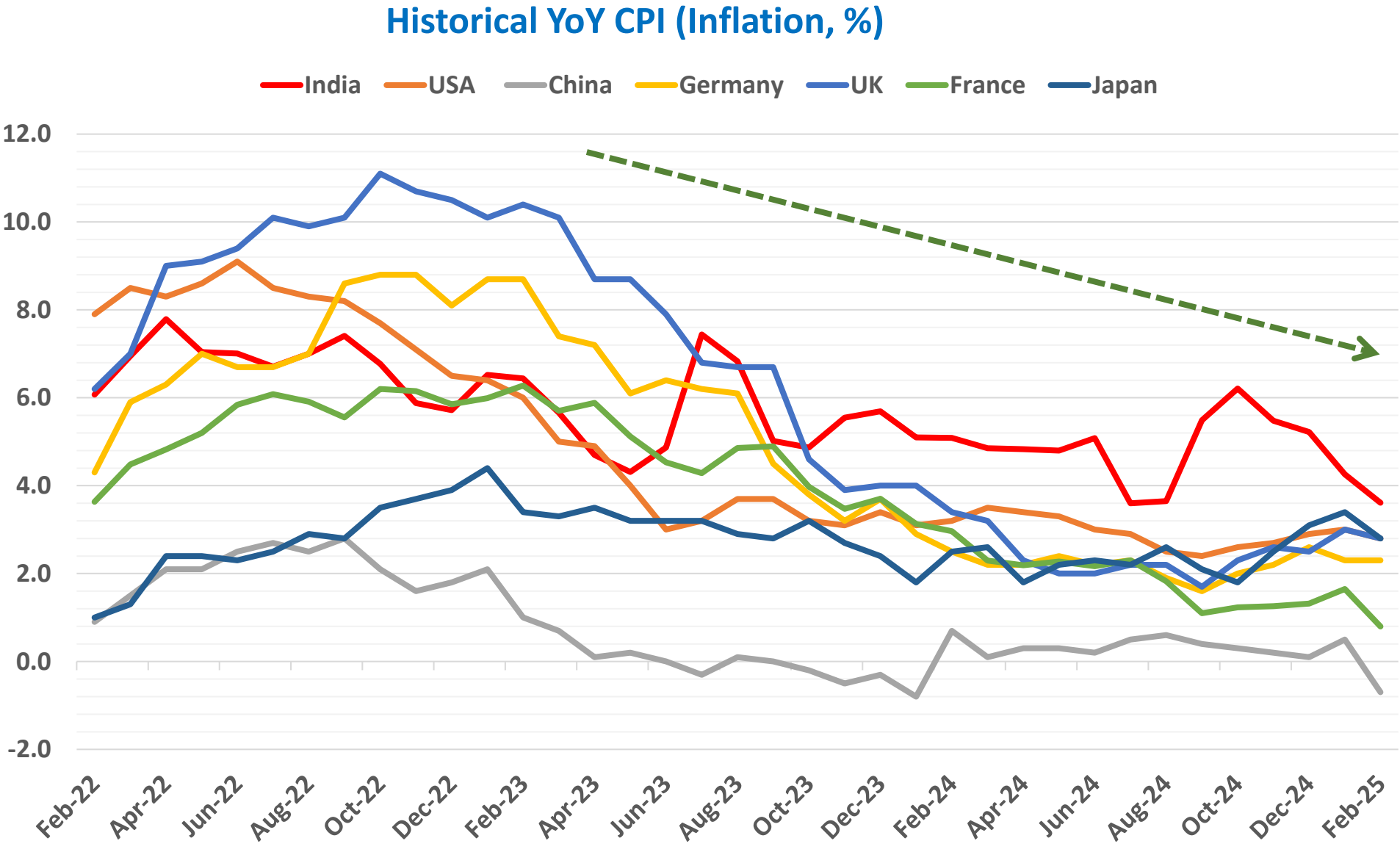


Source: Bloomberg

The Dollar Index (DXY) is a weighted measure of the U.S. dollar's value relative to a basket of major foreign currencies, reflecting its overall strength or weakness.

- The U.S. Dollar Index has declined approximately 10% from its peak of 110 to the current level of 99, reflecting a broad weakening of the dollar.

Global Inflation Continues to Moderate

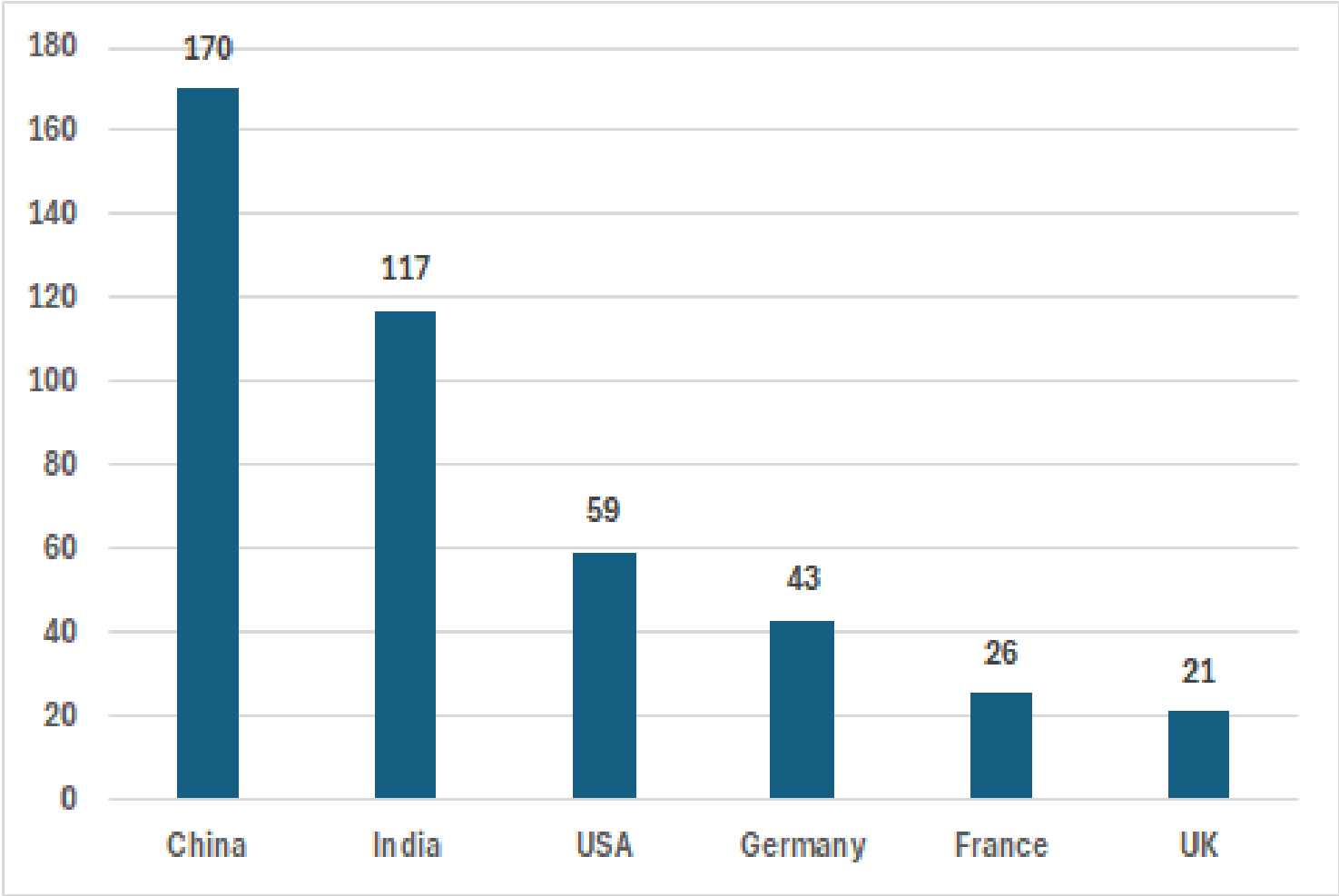


Source: Bloomberg

- Headline inflation continues to moderate across most global markets.
- However, this trend is under threat due to the imposition of US tariffs.

Global Rate Cuts Lower 10-Year Bond Yields

From Its Peak, Total Basis Points Fall in 10-Yr Bond Yields



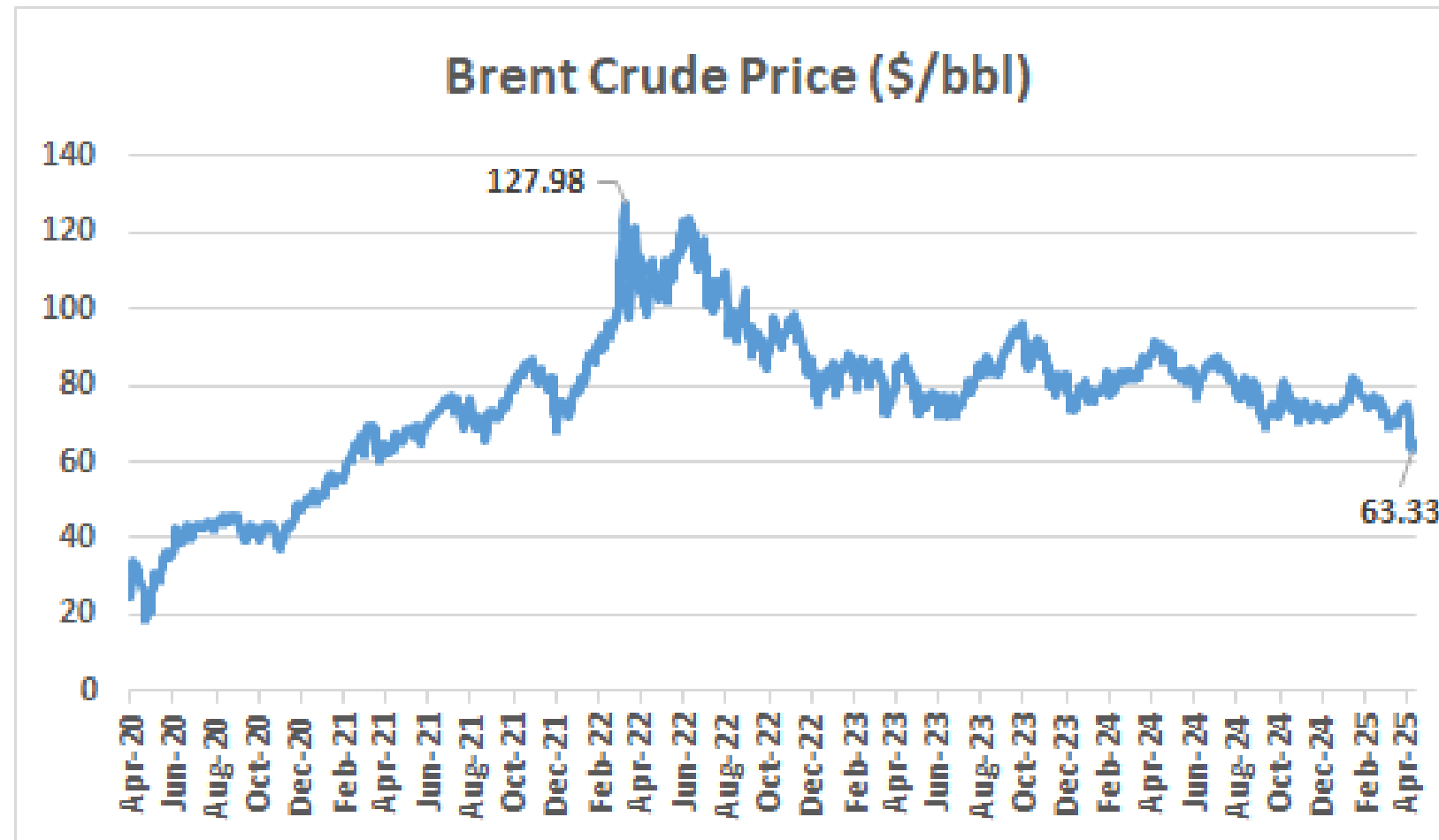
Country	Highest Yield Day	Highest Yield	Current Day	Current Yield	Diff. in %	Diff. in bps
China	07-01-2021	3.36	11-04-2025	1.66	1.70	170
India	16-06-2022	7.62	11-04-2025	6.45	1.17	117
USA	19-10-2023	4.99	11-04-2025	4.40	0.59	59
Germany	20-09-2023	2.97	11-04-2025	2.54	0.43	43
France	11-03-2025	3.59	11-04-2025	3.33	0.26	26
UK	10-01-2025	4.89	11-04-2025	4.68	0.21	21

Source: Bloomberg

- Due to Rate Cuts Across Major Global Central Bank, 10-Yr Bond Yield Softened

Crude Oil Prices Moderated

Brent Crude Price (US\$ / barrel)



Data Source: RBI, Bloomberg

- India imports around 80-85% of its crude oil requirement. Run rate of crude oil imports is 4.5 to 5 million barrels per day (~1.8 billion barrels per year).
- At an average crude oil price of \$100/bbl that would translate to around \$180 billion oil import bill for India.
- Recent correction in crude oil prices is positive for India.

India's Structural Growth Trajectory Remains Intact

India to remain the fastest growing major economies globally

OECD (Organization for Economic Co-operation and Development) GDP Growth Forecast Trend (% YoY)

	2024	2025		2026	
		Interim EO projections	Difference from December EO	Interim EO projections	Difference from December EO
World	3.2	3.1	-0.2	3.0	-0.3
G20 ¹	3.3	3.1	-0.2	2.9	-0.3
Australia	1.1	1.9	0.0	1.8	-0.7
Canada	1.5	0.7	-1.3	0.7	-1.3
Euro area	0.7	1.0	-0.3	1.2	-0.3
Germany	-0.2	0.4	-0.3	1.1	-0.1
France	1.1	0.8	-0.1	1.0	0.0
Italy	0.7	0.7	-0.2	0.9	-0.3
Spain ²	3.2	2.6	0.3	2.1	0.1
Japan	0.1	1.1	-0.4	0.2	-0.4
Korea	2.1	1.5	-0.6	2.2	0.1
Mexico	1.5	-1.3	-2.5	-0.6	-2.2
Türkiye	3.2	3.1	0.5	3.9	-0.1
United Kingdom	0.9	1.4	-0.3	1.2	-0.1
United States	2.8	2.2	-0.2	1.6	-0.5
Argentina	-1.8	5.7	2.1	4.8	1.0
Brazil	3.4	2.1	-0.2	1.4	-0.5
China	5.0	4.8	0.1	4.4	0.0
India ³	6.3	6.4	-0.5	6.6	-0.2
Indonesia	5.0	4.9	-0.3	5.0	-0.1
Russia	4.1	1.3	0.2	0.9	0.0
Saudi Arabia	1.2	3.8	0.2	3.6	-0.2
South Africa	0.6	1.6	0.1	1.7	0.0

- Global GDP growth is projected to be 3.1% this year and 3% in 2025 and 2026, respectively.
- In the US, GDP growth is projected to be 2.2% in 2025 and 1.6% in 2026
- In China, economic growth is projected to ease gradually from 4.8% in 2025 to 4.4% in 2026.
- India's growth projection for both FY25 & FY26 remains in the range of 6-7%.

Please note: These projections were made before the U.S. administration's reciprocal tariff action. As a result, the projections may change slightly for the respective countries.

* For India fiscal year being considered. 2025 = FY25 , 2026= FY26

Source: OECD (Organization for Economic Co-operation and Development), March 2025

Indian equity market outperformed almost all the major global markets over the medium to long term

Performance as on 28th Mar 2025								
Index Name	Country / Region	1 Yr	2 Yrs	3 Yrs	5 Yrs	7 Yrs	10 Yrs	15 Yrs.
Nifty 50	India	5.3%	16.4%	10.5%	22.3%	12.8%	10.7%	10.5%
FSE DAX TR	Germany	21.5%	19.9%	16.0%	17.7%	9.4%	6.5%	9.0%
TSEC TAIEX	Taiwan	7.2%	16.7%	6.9%	17.4%	10.3%	8.5%	6.9%
S&P 500	United States	6.2%	16.6%	7.2%	16.7%	11.5%	10.4%	11.0%
Nikkei 225 Average	Japan	-7.6%	15.1%	10.1%	14.5%	8.4%	6.8%	8.4%
MSCI World	World	5.8%	14.2%	6.0%	14.4%	8.5%	7.6%	7.7%
BOVESPA TR	Brazil	3.0%	13.8%	3.2%	12.6%	6.7%	9.9%	4.3%
CAC 40	France	-3.5%	4.0%	5.9%	12.5%	6.4%	4.6%	4.7%
FTSE/SGX STI	Singapore	23.2%	10.4%	5.2%	9.9%	2.3%	1.4%	2.1%
S&P/ASX 200	Australia	1.1%	5.5%	2.1%	9.5%	4.7%	3.1%	3.3%
FTSE 100	United Kingdom	8.9%	6.5%	4.8%	8.8%	3.0%	2.5%	2.9%
FTSE SET All Share	Thailand	7.7%	6.0%	3.7%	8.5%	2.7%	2.5%	3.2%
KOSPI	South Korea	-6.8%	1.6%	-2.5%	7.8%	0.8%	2.3%	2.8%
JSX Composite	Indonesia	-10.7%	-2.2%	-2.7%	7.5%	0.8%	1.7%	5.8%
MSCI EM	Emerging Markets	7.7%	6.4%	-0.6%	5.7%	-0.5%	1.4%	0.7%
MSCI AC Asia Ex Japan	Asia Ex Japan	11.5%	6.3%	0.2%	5.4%	0.3%	2.1%	2.7%
Shanghai Composite	China	11.3%	1.2%	1.0%	4.0%	1.0%	-1.1%	0.5%
FTSE Bursa Malaysia KLCI	Malaysia	-1.5%	3.2%	-1.6%	2.3%	-2.9%	-1.9%	0.9%
Hang Seng	Hong Kong	41.6%	7.2%	2.1%	-0.2%	-3.5%	-0.6%	0.7%

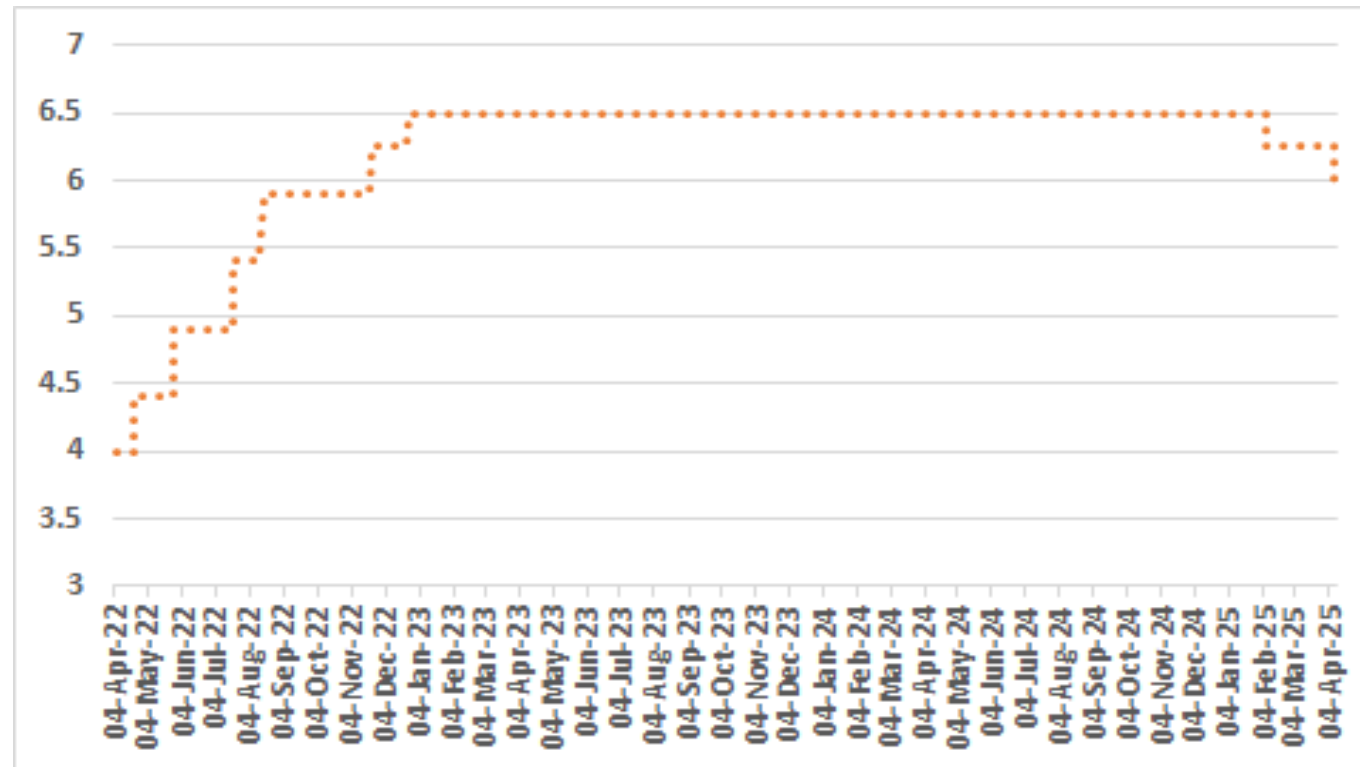
Source : Bloomberg. Returns are in local currency of index, and returns greater than 1 year are CAGR Date Sorted on the basis of 5 Yrs. return in descending order

- Over the medium - long term Indian equity market has been among the top performing major markets, globally.
- In fact, on a 5-year, 7-year and 10-year basis Indian markets have delivered the best returns amongst all prominent stock markets globally.

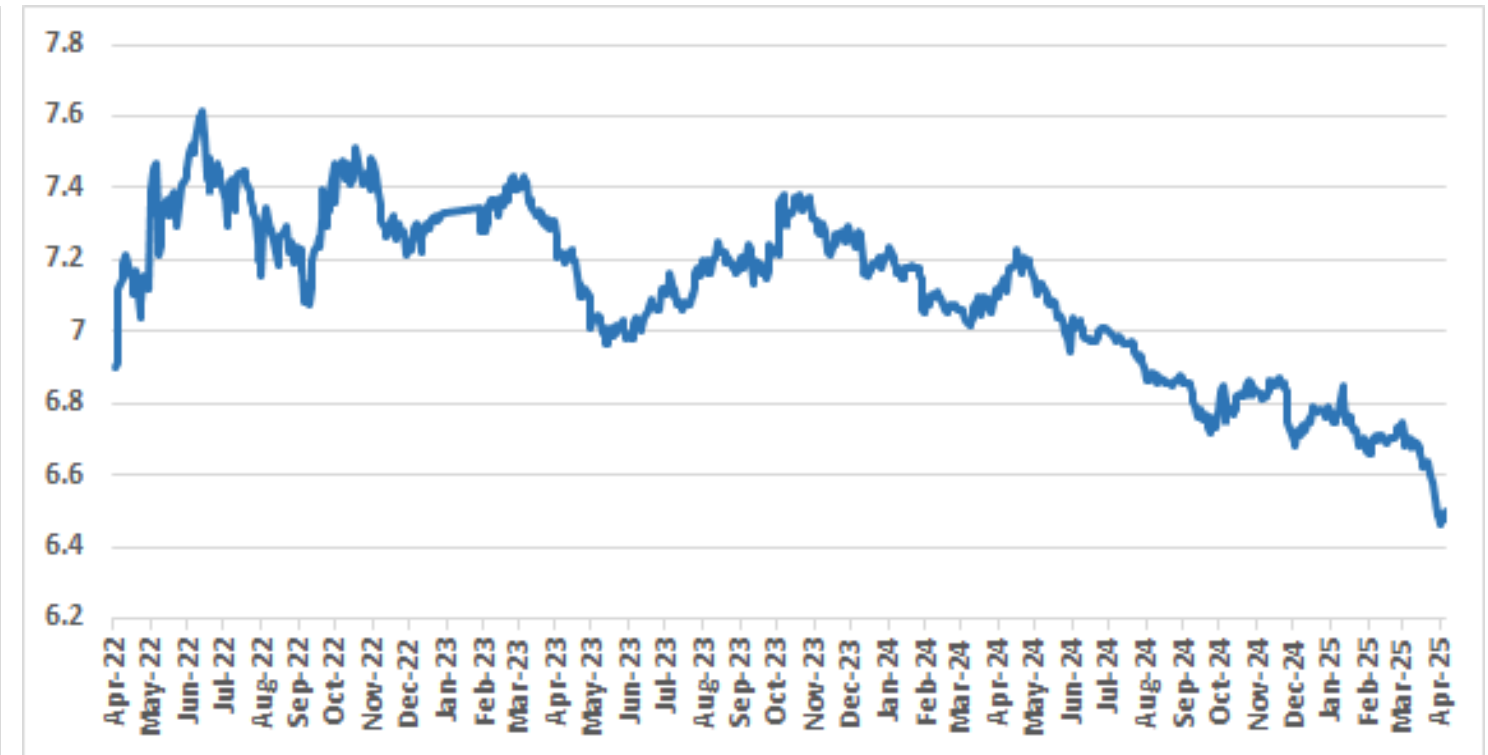
RBI Monetary Policy Committee Meeting - Outcome

RBI - Monetary Policy Decision - RBI Lowers Repo Rate to 6%, Shifts Stance to 'Accommodative'

Repo Rate Trend (in %)



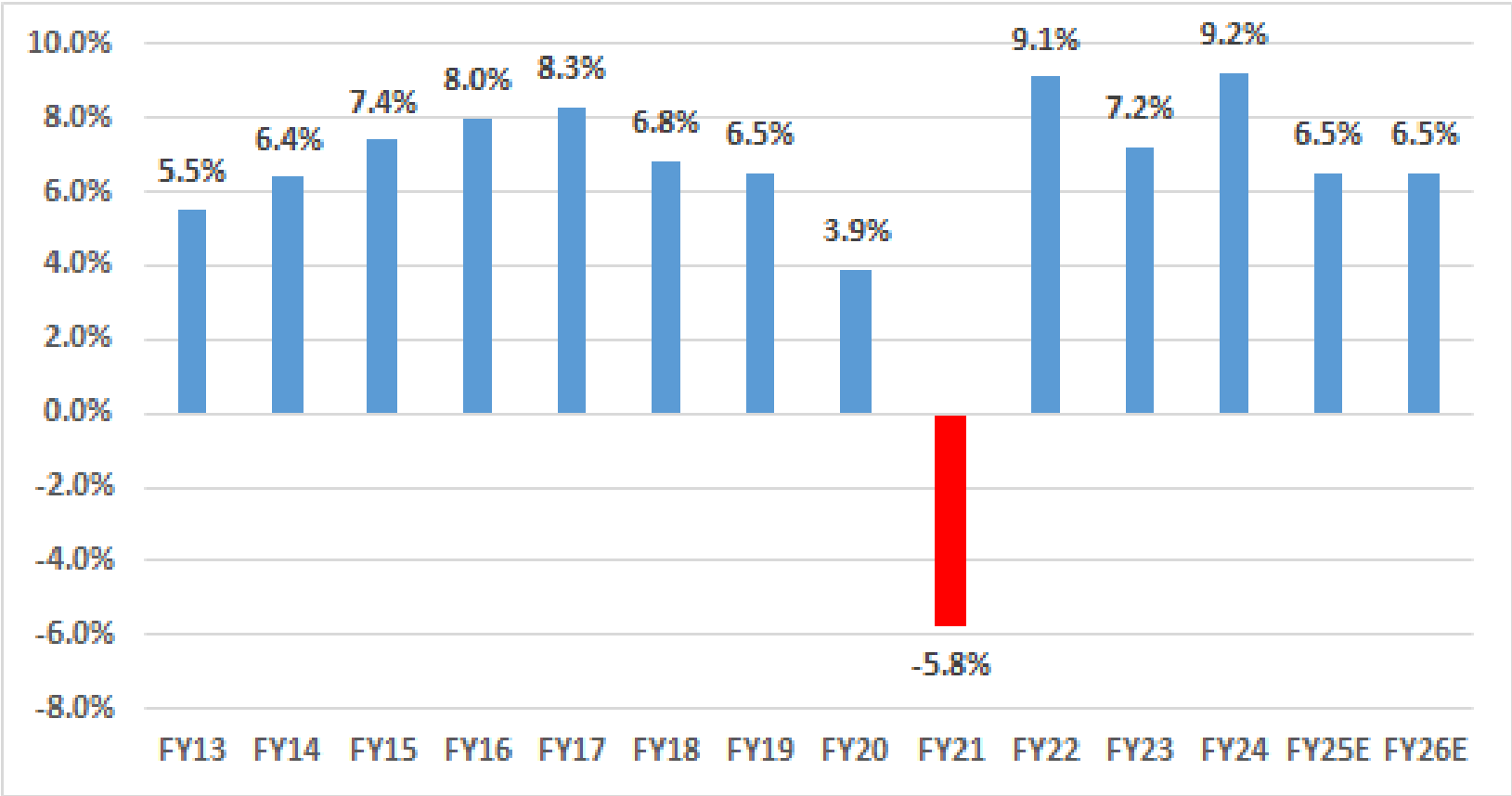
10 Year G-Sec Yield (in %)



Source: RBI, Bloomberg

- The Reserve Bank of India's (RBI) Monetary Policy Committee (MPC) has unanimously decided to cut repo rate (the rate at which RBI lends to Banks) by 25 basis points (bps) to 6% from 6.25%.
- Consequently, Standing Deposit Facility (SDF) rate has been reduced to 5.75 from 6%. The Marginal Standing Facility (MSF) rate was also lowered to 6.25% from 6.5%.
- The MPC also shifted its policy stance from 'neutral' to 'accommodative', indicating a supportive approach towards growth amidst a favorable inflation outlook.

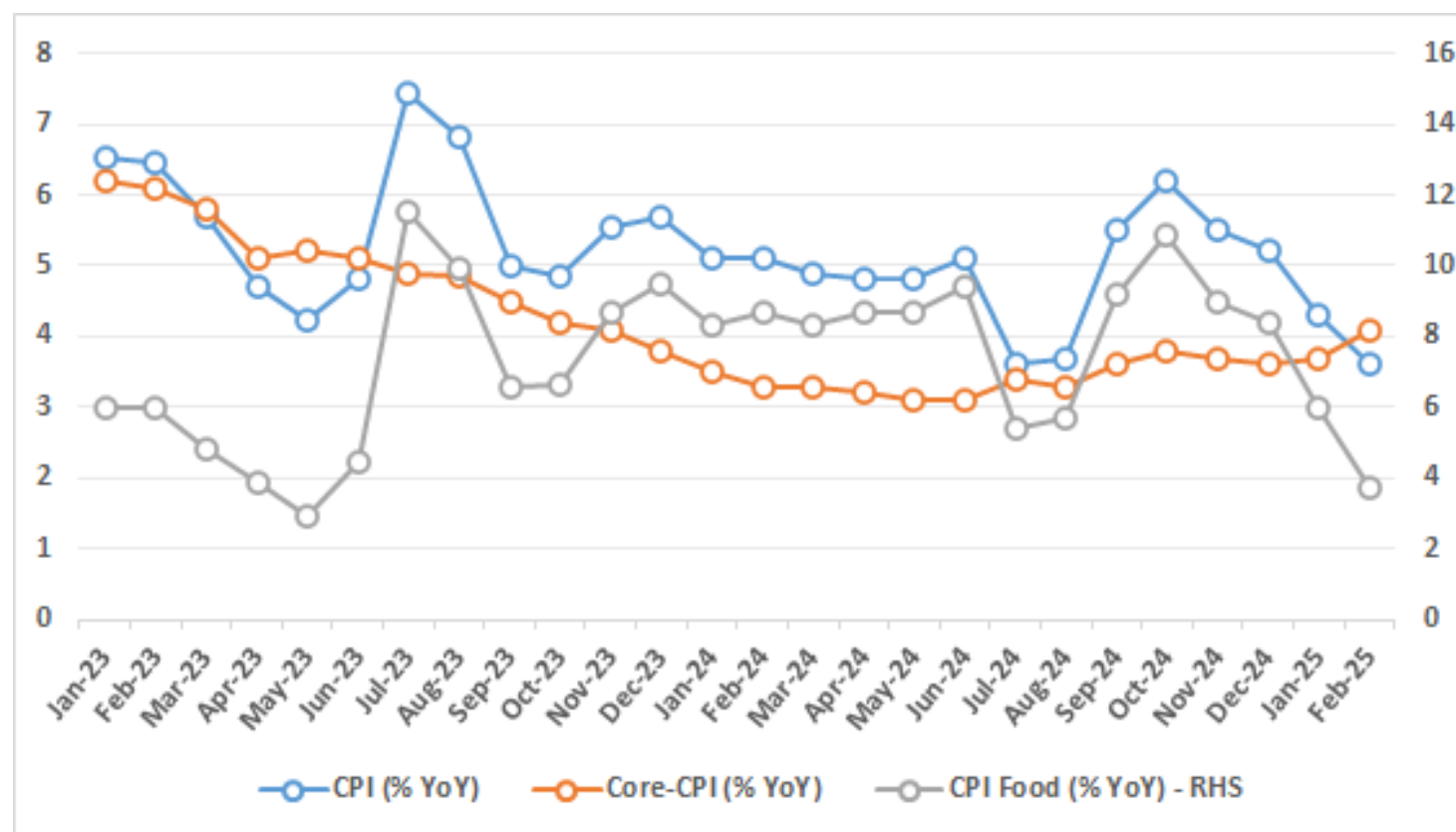
India Fiscal Year-Wise GDP Growth (% YoY)



Source: MOSPI. #
Advance estimate for
FY25, First Advance
Estimates, RBI

- The RBI’s governor highlighted that despite global headwinds, the Indian economy has shown resilience. Economic growth was slower in the first half of FY 2024–25 but improved in the second half due to a decline in food prices and stronger performance in the agriculture and services sectors.
 - ✓ The Reserve Bank of India (RBI) now projects GDP growth at 6.5% for FY 2025–26, slightly lower than its earlier estimate of 6.7%, primarily due to global uncertainties.
- We believe , comparatively, India is expected to be less adversely affected, owing to its relatively lower export dependency on the U.S. Additionally, India's macroeconomic fundamentals remain resilient, supported by low corporate and government leverage.

Inflation Trend (in %)

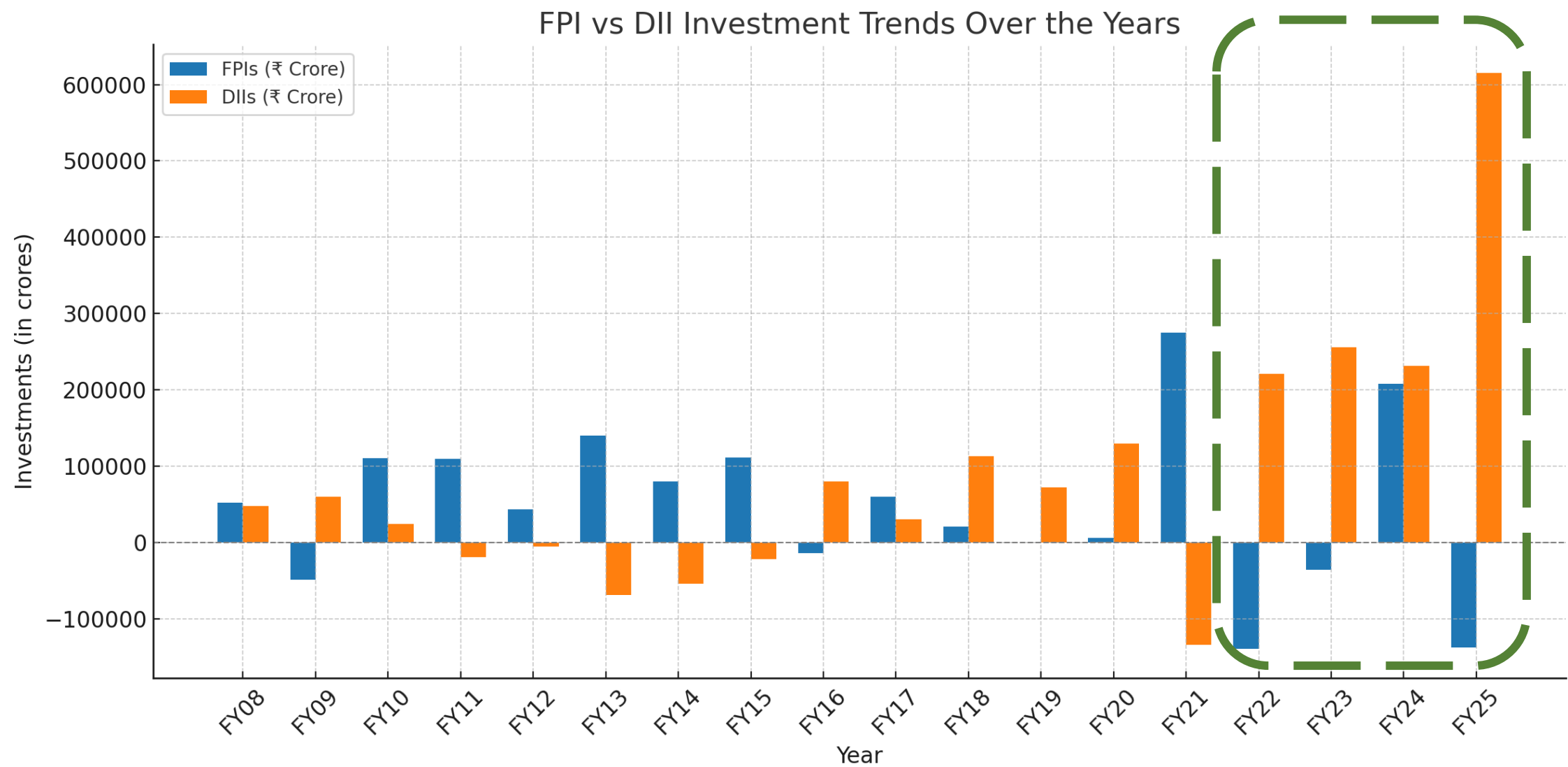


Source: Bloomberg, RBI

- headline inflation has shown signs of moderation, supported by favorable food prices and a strong kharif harvest.
 - ✓ Consumer Price Index (CPI) inflation is projected at 4.8% for the current fiscal year and 4.2% for 2025-26, assuming a normal monsoon.
- Core inflation remains stable, but external factors such as energy price volatility and geopolitical risks continue to pose challenges.

Market Flows

In FY25, FPIs turned net sellers, but DIIs strongly counterbalanced the outflows

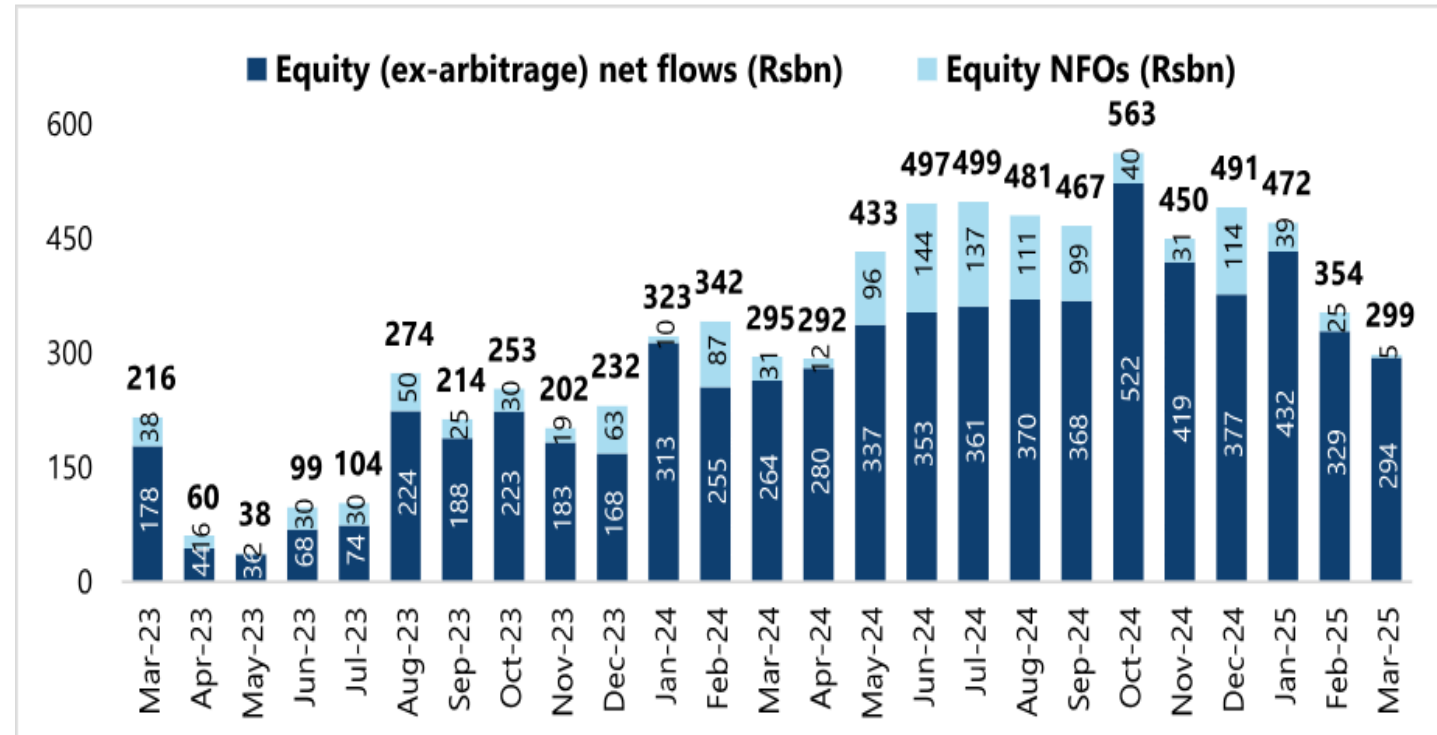


Source: NSDL, BALIC Research

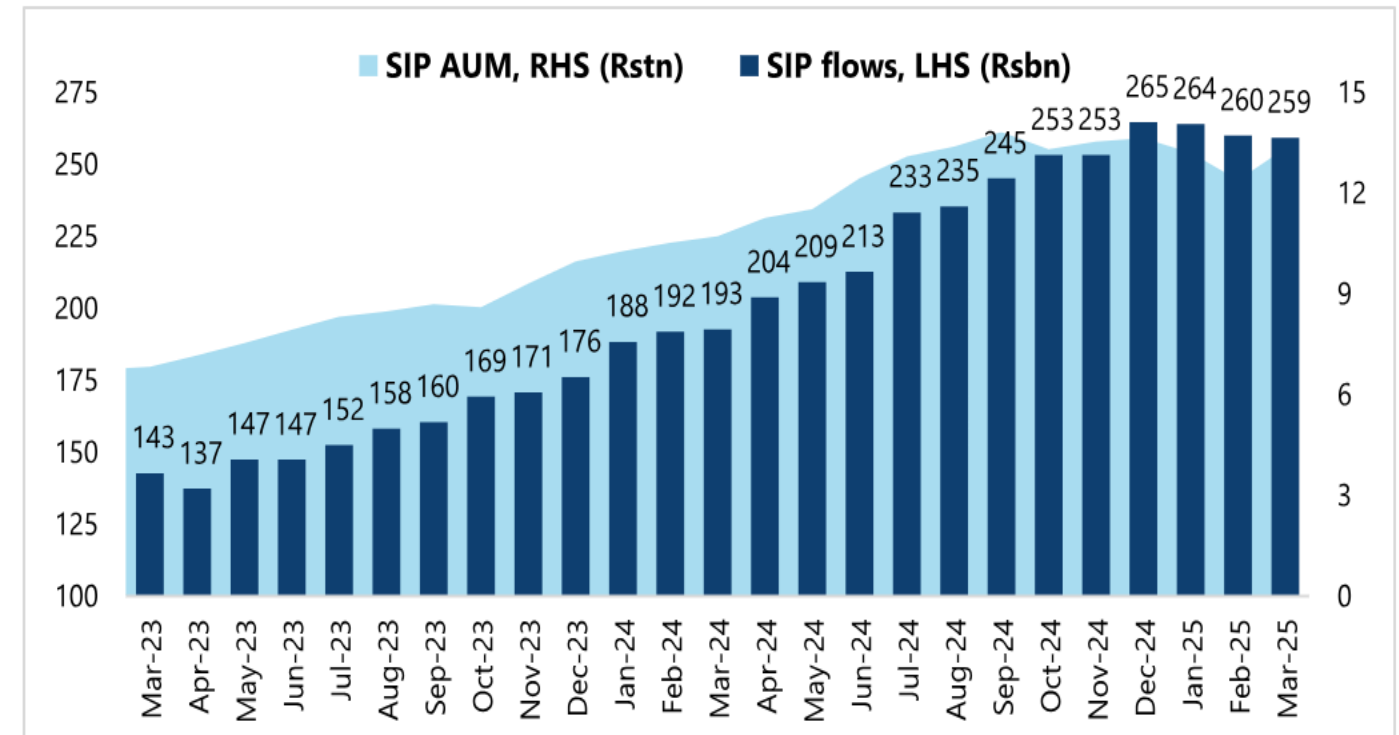
- FY25 marks a standout year with record DII inflows (~ Rs. 6.15 lakh crore) despite heavy FPI outflows.
- DII flows have significantly outpaced FPI flows in recent years, showing rising domestic investor confidence.

Mutual Fund Flows have moderated, But Still At A Healthy Level

Flows in Equity mutual fund schemes



Gross SIP flows & AUM

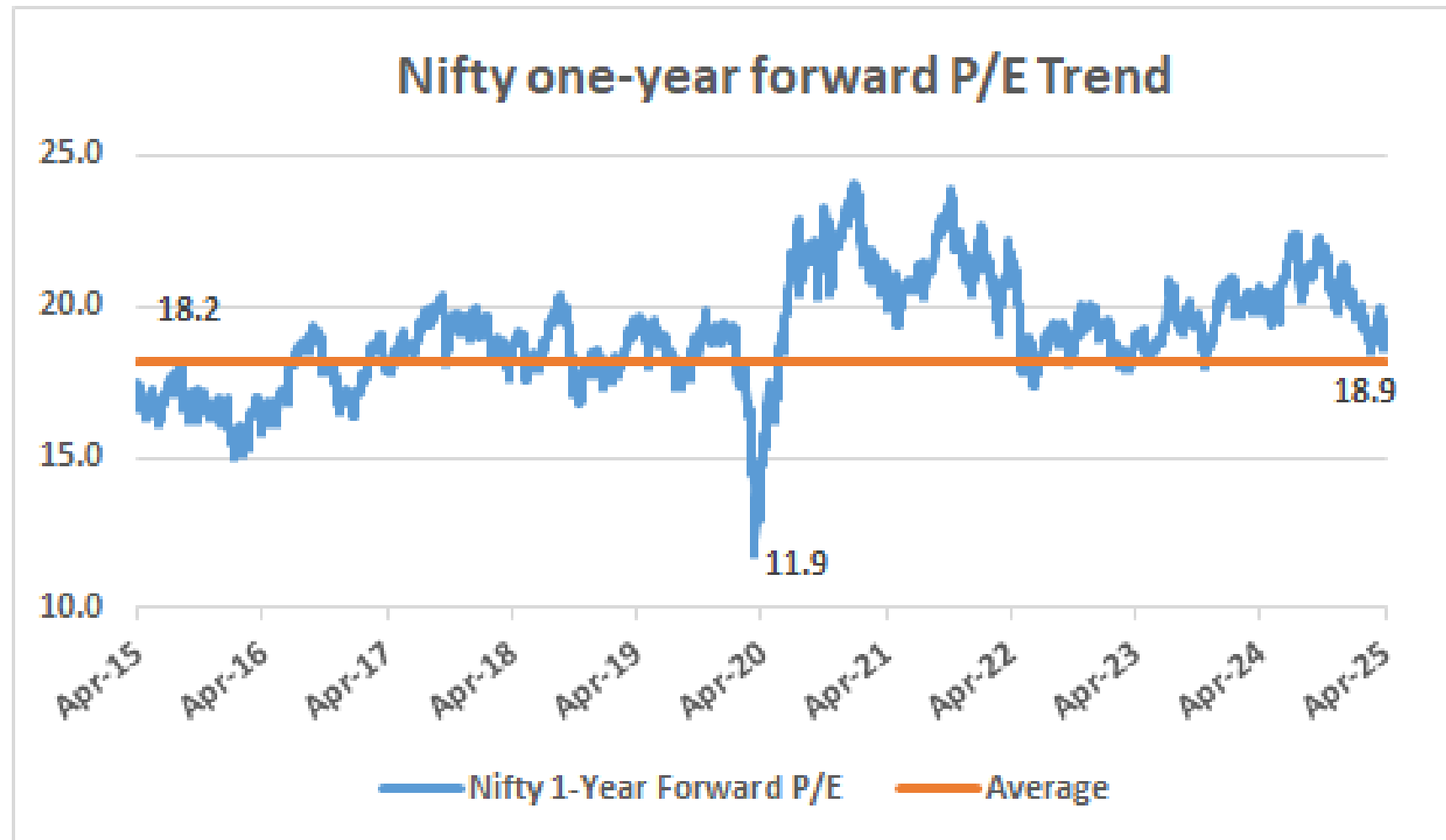


Source: AMFI, Jefferies

- In Mar-25, net equity flows (ex. arb & NFOs) fell by 10% MoM to Rs294bn (~0.9% of op. AUM).
- Net equity flows in Mar-25 were the lowest in the last 11-months.
- SIP flows remained steady at ~Rs259bn (+35% YoY; flat MoM).
- However, even in case of SIPs, stoppages outpaced new SIPs (1.3 SIP stopped for every new one started) for the third consecutive month.

Market Valuations

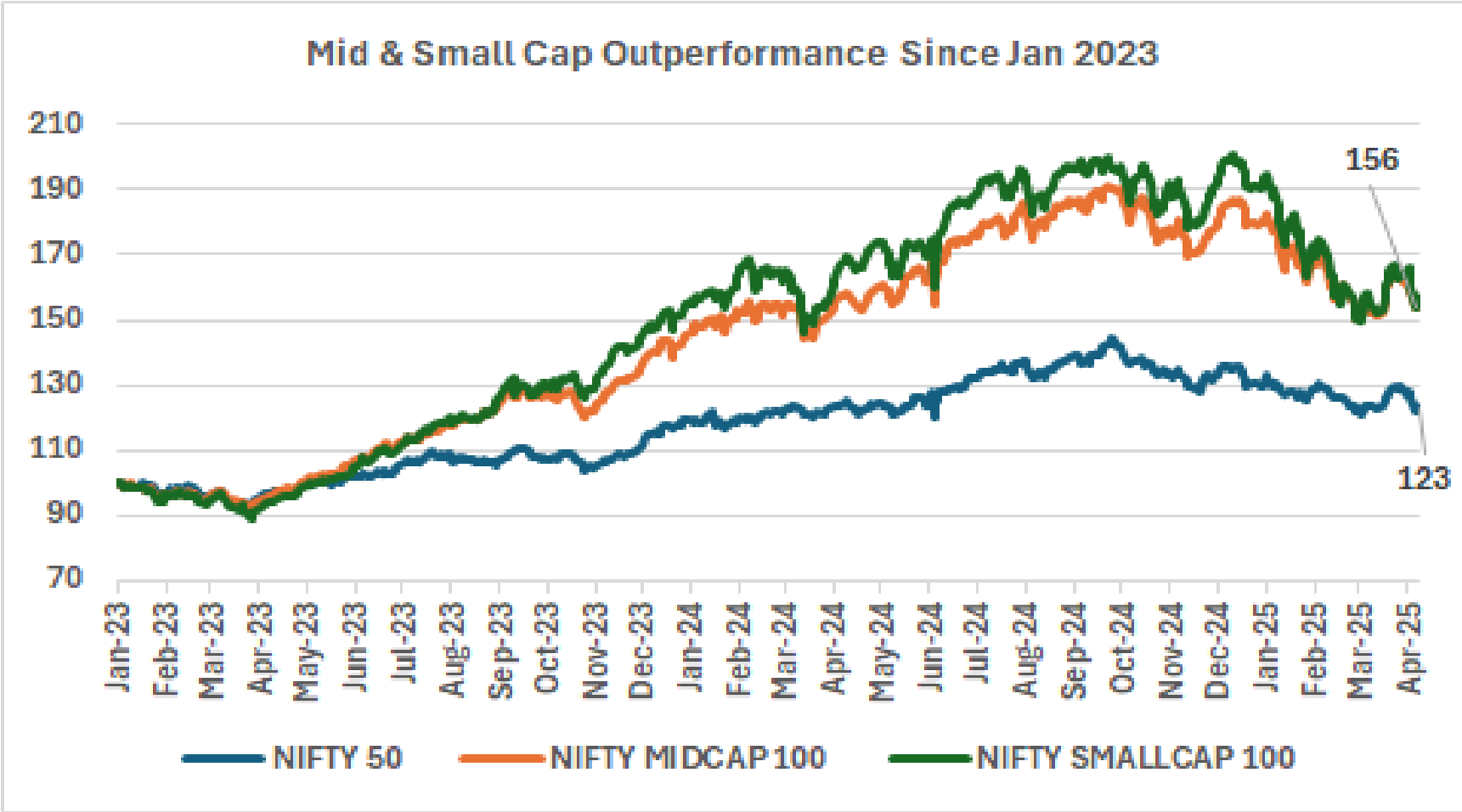
Large Cap Valuation Have Moderated



Source: Bloomberg, BALIC Research

- Nifty 50 1-Yr Forward P/E has been moderated due to recent market correction and trading marginally below than its 10 Year long-term average of 18.2X

Mid & Small Cap Indices significantly outperformed Large Cap in Last 2 Years



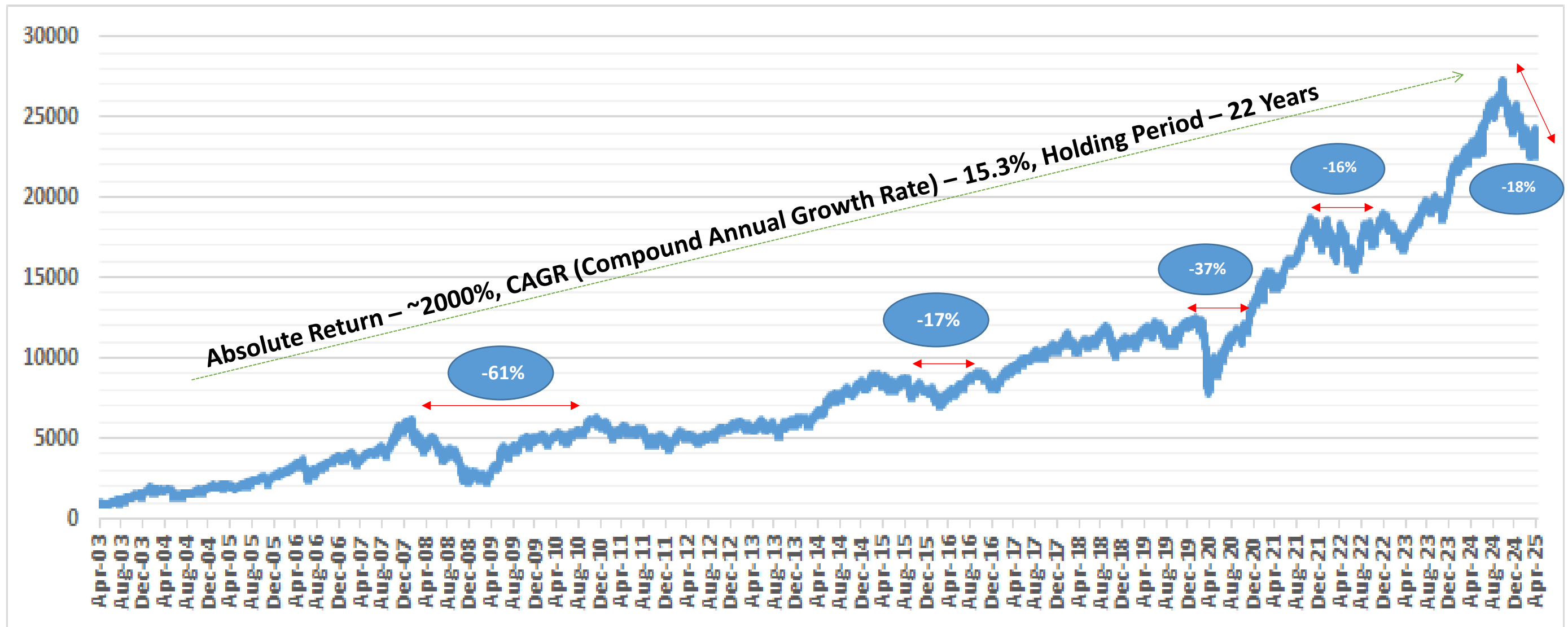
Index	P/E (Price/Earnings Per Share)
Nifty 50	21.37
Nifty Mid Cap 100	32.49
Nifty Small Cap 100	28.92

Source: NSE Factsheet as on 28-Mar-2025

Source: Bloomberg, NSE, BALIC Research

- Despite the recent correction, Mid & Small Cap Indices are still outperforming Nifty 50 by a significant margin since Jan 2023. During this period, Mid & Small Caps are up 56% each, compared to a 23% return for Nifty50.
- Mid & Small Cap (on a Historical P/E basis) are still trading at relatively high valuations, with further room for correction.

Equities (Nifty 100 Index) Outperformed in the Long-Term



Source: NSE Indices, BALIC Research, As on 9-April-2025

- Despite short-term volatility, the Nifty 100 Index has consistently recovered from major downturns, highlighting the potential of long-term investing.

Market Outlook

Equity Market Outlook (1/2)

- Weakness in equity markets continued in Q4FY25. While the Nifty50 was relatively unscathed with a 0.5% decline, midcaps (down ~10%) and small caps (down ~14%) witnessed sharper corrections.
- Post this correction, FY25 equity returns turned modest with Nifty50 and Smallcap delivering ~5% returns while the Midcaps were up 7.5%.
- In terms of sectors, Financial services (+19.5%), Pharma (+11%) and Metals (+10%) were the best performing sectors of FY25 while Oil & Gas (-8%) FMCG (-0.7%) and Autos (-0.6%) were the key underperformers.
- While the broader Financial services index was the best performing sectoral index, the Private Bank index (dominated by large private banks) returned 9% during the year and the PSU Banks index was the worst performing cohort with ~11% decline in FY25.
- Nifty IT was the one of the worst performing sectors in Q4FY25 down ~15% largely negating the outperformance delivered in the early parts of FY25. Concerns over tariffs' impact on the US economy have created significant uncertainty pertaining to demand for IT companies.

Domestic macro

- India's macro situation improved during the quarter with some recovery in GDP growth and lower headline inflation.
- India's GDP growth improved to 6.2% in Q3FY25 from 5.4% in Q2. However, the recovery appears to be modest resulting in the lowering of FY25 GDP growth estimate to 6.5% now.
- RBI, under the new Governor has made some aggressive moves with two Repo rate cuts totaling 50bps, large doses of liquidity injections and a change in liquidity stance from neutral to accommodative.
- Clearly, the focus of the RBI seems to have shifted to supporting growth and a 7-month low CPI reading of 3.6% for Feb'25 is helping the cause.
- Current account deficit in Q3FY25 came in at 1.1% of the GDP marginally better than the 1.2% print in Q2FY25. FX reserves have improved to \$676bn vs \$640bn at the end of December.
- On the fiscal front, the government has also responded to the ongoing slowdown by announcing sizable personal income tax relief in the latest Union budget.

Equity Market Outlook (2/2)

Indian markets

- The scale and implications of the U.S. tariff measures are considerably large and could potentially reshape the long-established global economic order.
- While the latest US move of pausing the reciprocal tariffs for 90-days and exempting some key items has blunted some of the impact, the full effect is likely to unfold over the coming months and volatility may linger around till that time.
- India is expected to be less adversely affected, owing to its relatively lower export dependency on the U.S.
- Additionally, India's macroeconomic fundamentals remain resilient, allowing space to the government and the RBI to support the economy in these testing times through effective fiscal and monetary policies.
- The recent decline in crude oil prices further strengthens India's external balance and a potential trade agreement between India and the U.S. could also serve to mitigate some of the current pressures.
- Hence, we remain confident in India's long-term growth trajectory and believe the country could ultimately benefit from a shifting global landscape.
- However, near term growth and earnings outlook has worsened for India as well. Q4FY25 is expected to be another tepid quarter for corporate earnings rounding off a weak FY25 with Nifty50 earnings growth in low single digits.
- Given the uncertain environment, we expect earnings growth expectations for FY26/27 to be brought down by the street over the next few months.
- With respect to flows, the trend of strong DII flows absorbing the persistent FPI selling continues. However, with the markets being in a prolonged corrective phase the resilience of retail flows (via MF, Insurance and Direct) will be tested.
- Finally, despite the correction, valuations for the Nifty50 index is still just around its historical average while the those for the mid and small caps are still higher than their respective historical range.
- Hence, our near-term outlook for the market remains cautious with a preference for stocks and sectors catering to the domestic economy.
- In the medium term, we continue to believe that India is on a structural growth path and is likely to outperform most other economies in the coming years. To capitalize on this structural change, we believe equities remain the preferred asset class for investors with time horizon of 3+ years.

- **Domestic Inflation** – Headline inflation moderated during January-February 2025 following a sharp correction in food inflation at 3.8%. Core inflation hovering around 4%. Ongoing heatwave can act as a headwind risk to the expected inflation for FY 26 at 4%.
- **RBI MPC-** Has cut the rates in April 2025 Policy by 25 bps with cumulative cut of 50 bps, Repo at 6%
 - MPC has changed the stance to “Accommodative from Neutral” and attributed it to future rate action
 - RBI has been providing ample liquidity through OMO’s and VRRR’s.
 - Inflation –Growth projection – RBI revised up its forecast to 4.00% from 4.2% previously for FY26. RBI has lowered the growth for FY 26 to 6.5% from 6.7%
- **Rate cuts** – Based on the current growth inflation dynamics and stance change by RBI we expect the easing cycle of another 25 bps in FY 26 with cumulative cut of 75 bps (base case) with sufficient durable liquidity in the system
- **Banking system Liquidity:** with more than expected liquidity injection from RBI through various tools, the current durable liquidity is closer to ~ 2 lac crore
- **Global headwinds** : Ongoing tariff war along with global growth and inflation is key monitorable for our view along.
- **Rupee impact:** The current RBI is allowing the Rupee to depreciate along with the market dynamic. RBI has enough reserves to support any uncertainty due to global head wind
- With the policy stance turning accommodative and systemic liquidity turning into surplus, we continue to prefer the medium-term portion of the yield curve.

Thank You

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