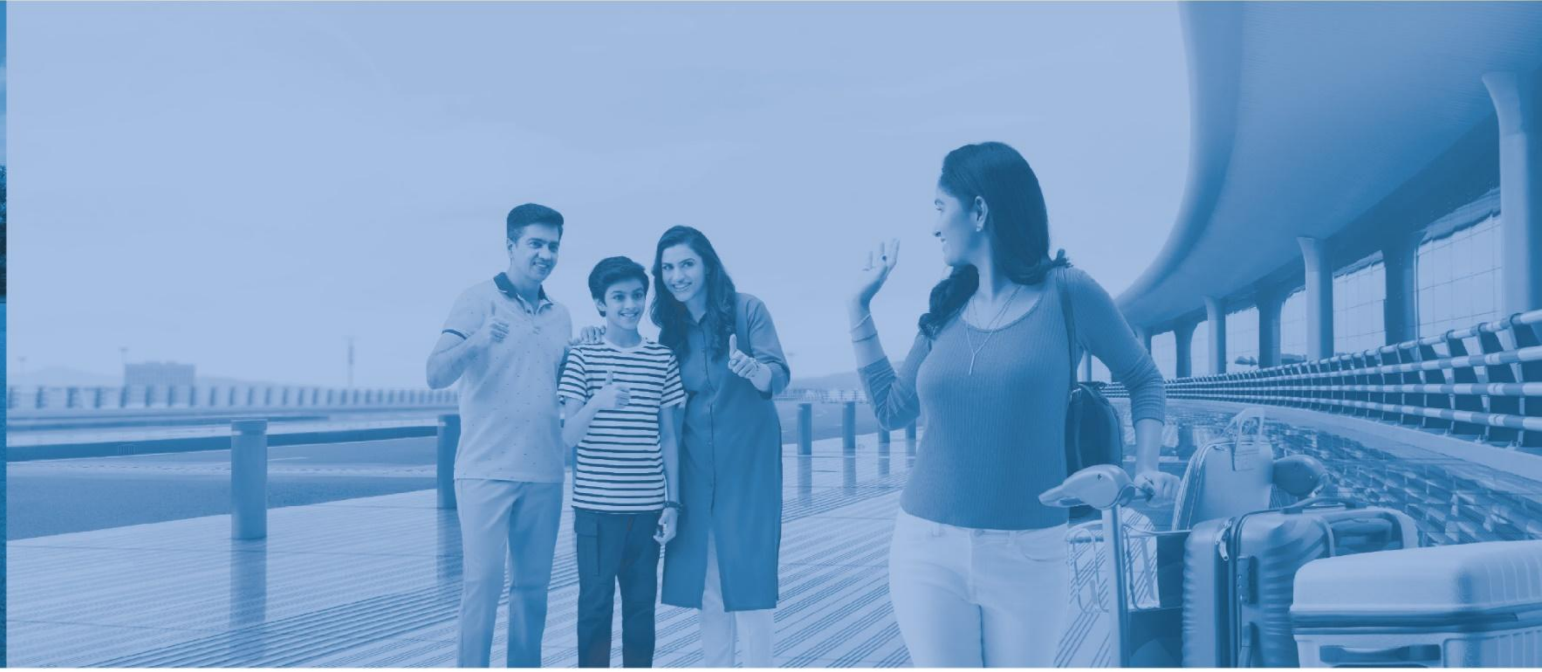


BALIC – Market Insights
June 2025

LIFE GOALS. DONE.

Key Themes Covered

LIFE GOALS. DONE.

Global Macros & Markets

RBI Monetary Policy

Valuations

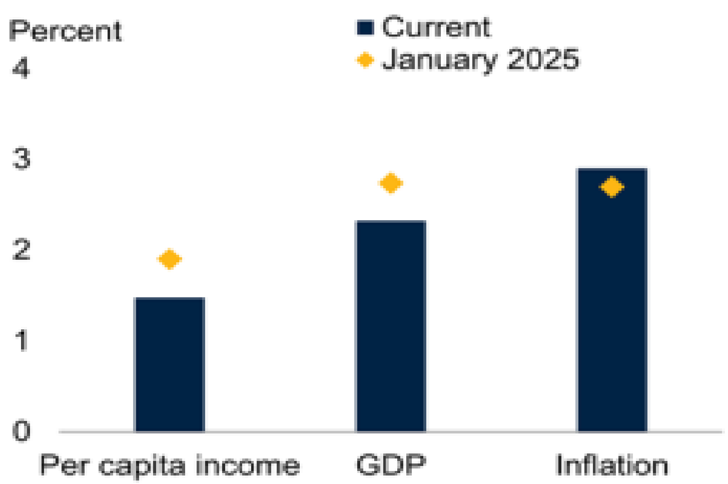
Flows

Market Outlook & View

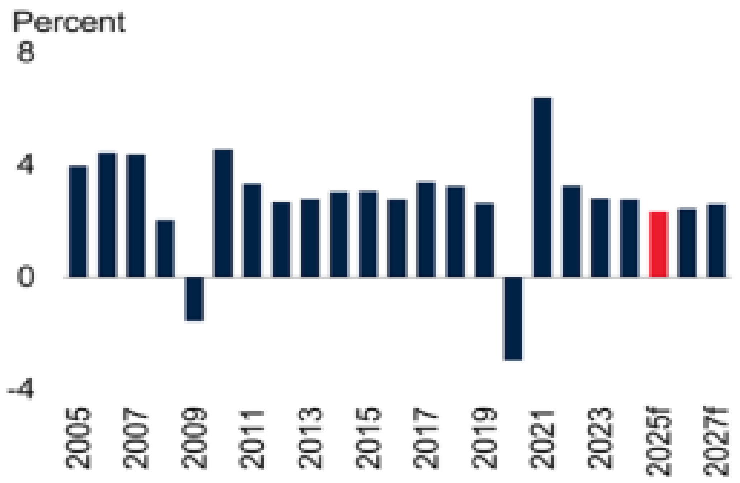
Global Macros & Markets

Trade Tensions and Policy Uncertainty Weigh on Global Outlook

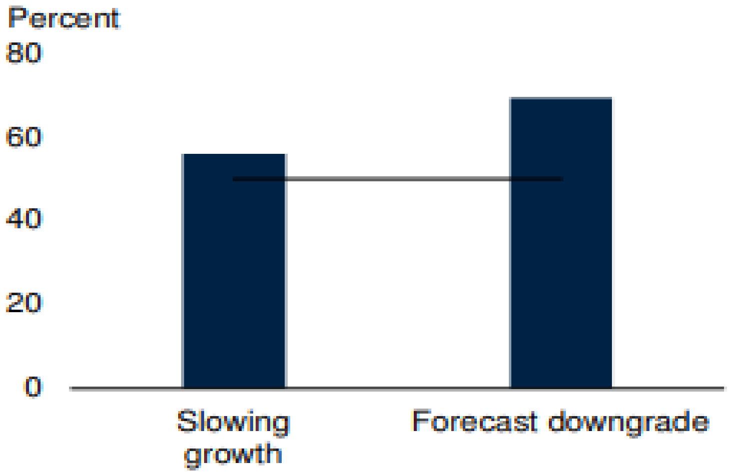
A. Global growth, per capita income growth, and inflation in 2025



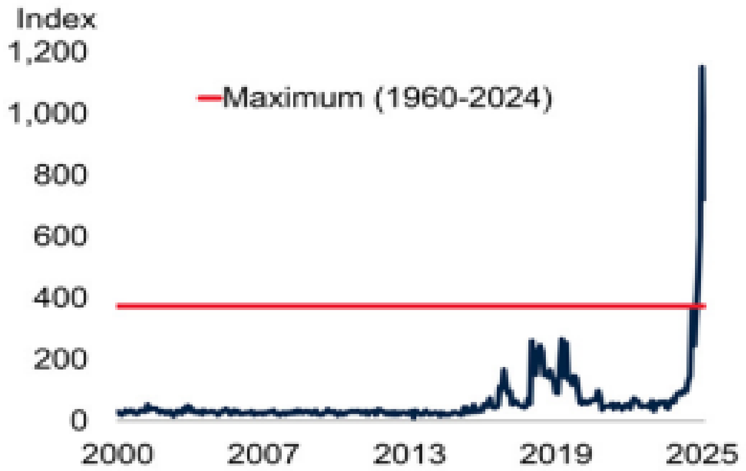
B. Global output growth



C. Share of economies with slowing/ downgraded growth in 2025



D. Global trade policy uncertainty



Source: World Bank

- World Bank's latest global economic outlook indicates significant deterioration since January.
- Growth in 2025 is expected to be the weakest since 2008, excluding COVID period.
- The slowdown is broad-based across major economies.
- Escalating trade tensions and heightened policy uncertainty are key drivers of the downturn.
- Weaker global growth is expected to reduce demand for oil and other commodities.
- This will weigh heavily on commodity-exporting EMDEs (Emerging Markets and Developing Economies).
- Equity market volatility spiked, and EMDE sovereign bond spreads widened—though these effects later eased.

India to remain the fastest growing economy

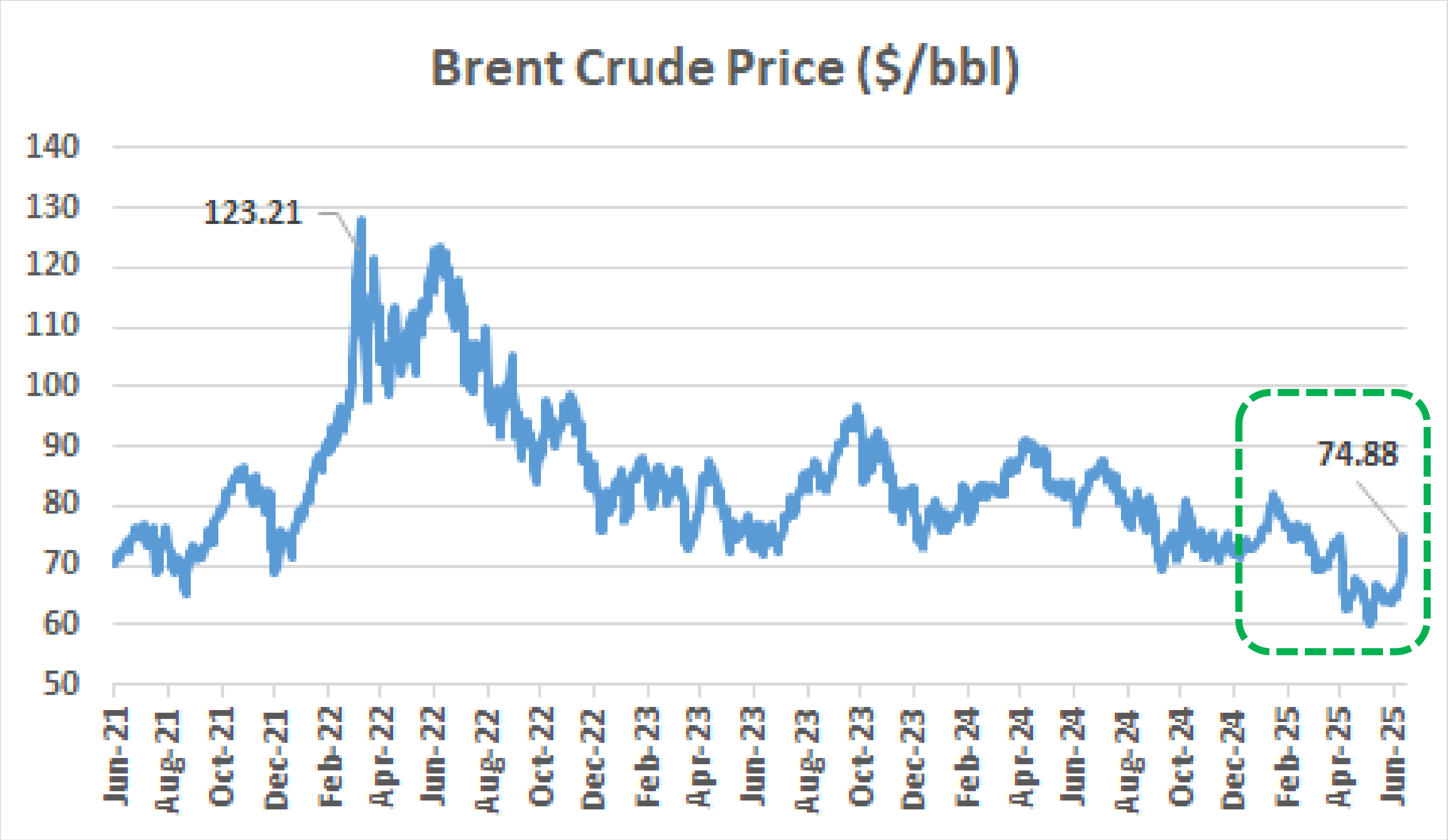
World Bank, Global Economic Prospects GDP Growth Forecast Trend (% YoY)

	2022	2023	2024e	2025f	2026f	2027f
World	**3.3**	**2.8**	**2.8**	**2.3**	**2.4**	**2.6**
Advanced economies	**2.9**	**1.7**	**1.7**	**1.2**	**1.4**	**1.5**
United States	2.5	2.9	2.8	1.4	1.6	1.9
Euro area	3.5	0.4	0.9	0.7	0.8	1.0
Japan	0.9	1.4	0.2	0.7	0.8	0.8
Emerging market and developing economies	**3.8**	**4.4**	**4.2**	**3.8**	**3.8**	**3.9**
East Asia and Pacific	3.6	5.2	5.0	4.5	4.0	4.0
China	3.1	5.4	5.0	4.5	4.0	3.9
Indonesia	5.3	5.0	5.0	4.7	4.8	5.0
Thailand	2.6	2.0	2.5	1.8	1.7	2.3
Europe and Central Asia	1.5	3.6	3.6	2.4	2.5	2.7
Russian Federation	-1.4	4.1	4.3	1.4	1.2	1.2
Türkiye	5.5	5.1	3.2	3.1	3.6	4.2
Poland	5.3	0.2	2.9	3.2	3.0	2.9
Latin America and the Caribbean	4.0	2.4	2.3	2.3	2.4	2.6
Brazil	3.0	3.2	3.4	2.4	2.2	2.3
Mexico	3.7	3.3	1.5	0.2	1.1	1.8
Argentina	5.3	-1.6	-1.8	5.5	4.5	4.0
Middle East and North Africa	5.4	1.6	1.9	2.7	3.7	4.1
Saudi Arabia	7.5	-0.8	1.3	2.8	4.5	4.6
Iran, Islamic Rep. [2]	3.8	5.0	3.0	-0.5	0.3	1.8
Egypt, Arab Rep. [2]	6.6	3.8	2.4	3.8	4.2	4.6
South Asia	6.0	7.4	6.0	5.8	6.1	6.2
India [2]	7.6	9.2	6.5	6.3	6.5	6.7
Bangladesh [2]	7.1	5.8	4.2	3.3	4.9	5.7
Pakistan [2]	6.2	-0.2	2.5	2.7	3.1	3.4

- Global GDP growth is projected to be 2.8%, 2.3% & 2.4% & 2.6% in CY25, 2026 & 2027, respectively.
- The U.S. GDP growth is projected at 1.4% in CY25, rising to 1.6% in CY26, and 1.9% in CY27.
- China's economic growth is expected to remain within the 4.0%–4.5% range in CY25 through CY27.
- **India is projected to have the highest growth among major global economies, with GDP expanding in the range of 6.3%–6.7% during FY26–FY28.**

- For India fiscal year being considered. 2025 = FY26 , 2026= FY27, 2027= FY28
- Source: World Bank, June 2025

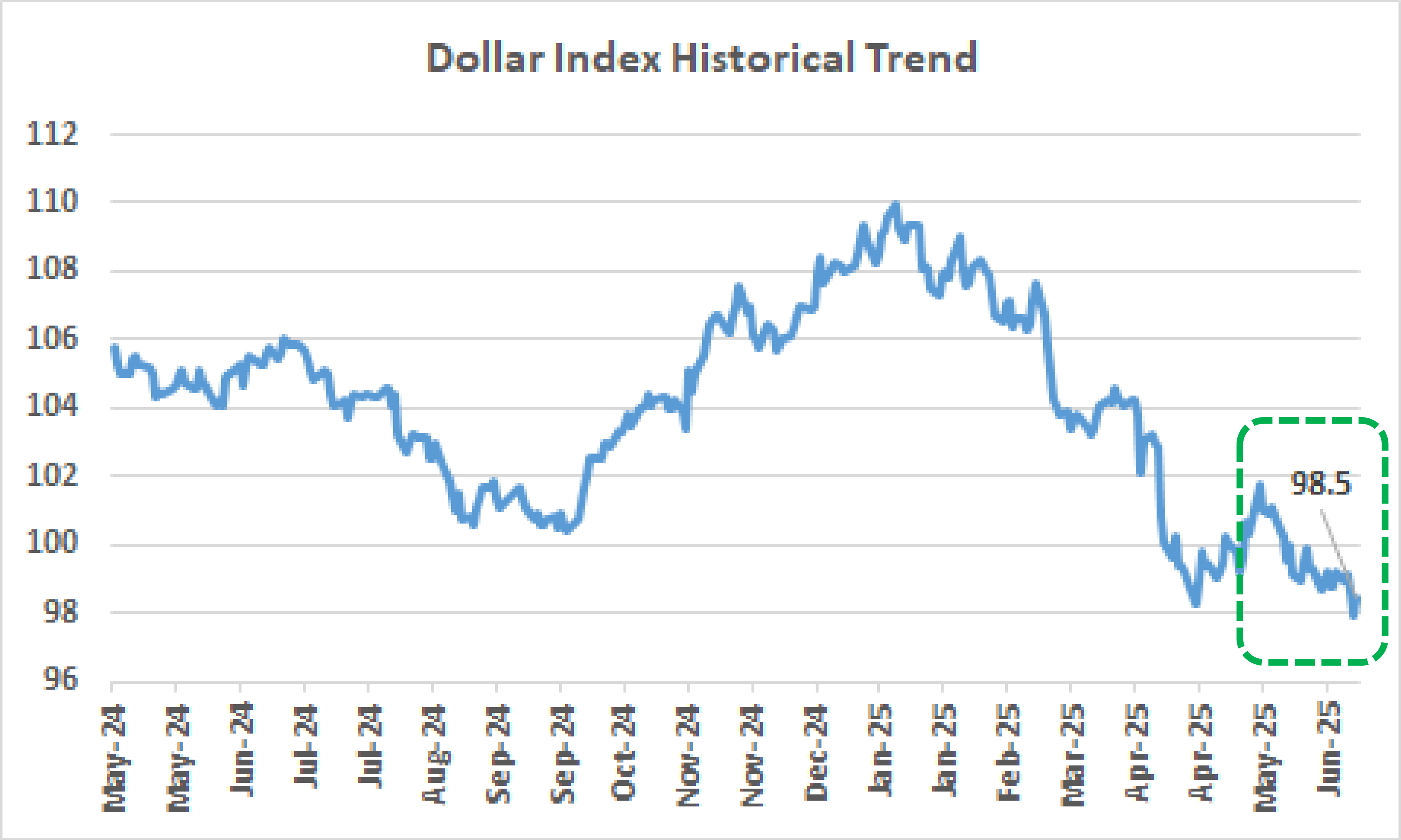
Crude Oil Prices Edge Higher



Source: Bloomberg

- Recent geopolitical events, particularly the escalating conflict between Israel & Iran has resulted in uncertainty around crude oil supply, exerting upward pressure on prices.
- Though the quantum of crude supplied by Iran is not as large as it used to be, any disruption to the flow of crude across the Strait of Hormuz may lead to significant supply disruptions.
- Higher crude oil prices would be negative for the Indian economy ***(A $10 increase in crude leads to ~$30 bn higher import bill)*** as we still import substantial portion of our consumption. Though with Brent Oil prices currently around US$ 75/barrel the situation is still under control.

U.S. Dollar Continues To Remain Weak



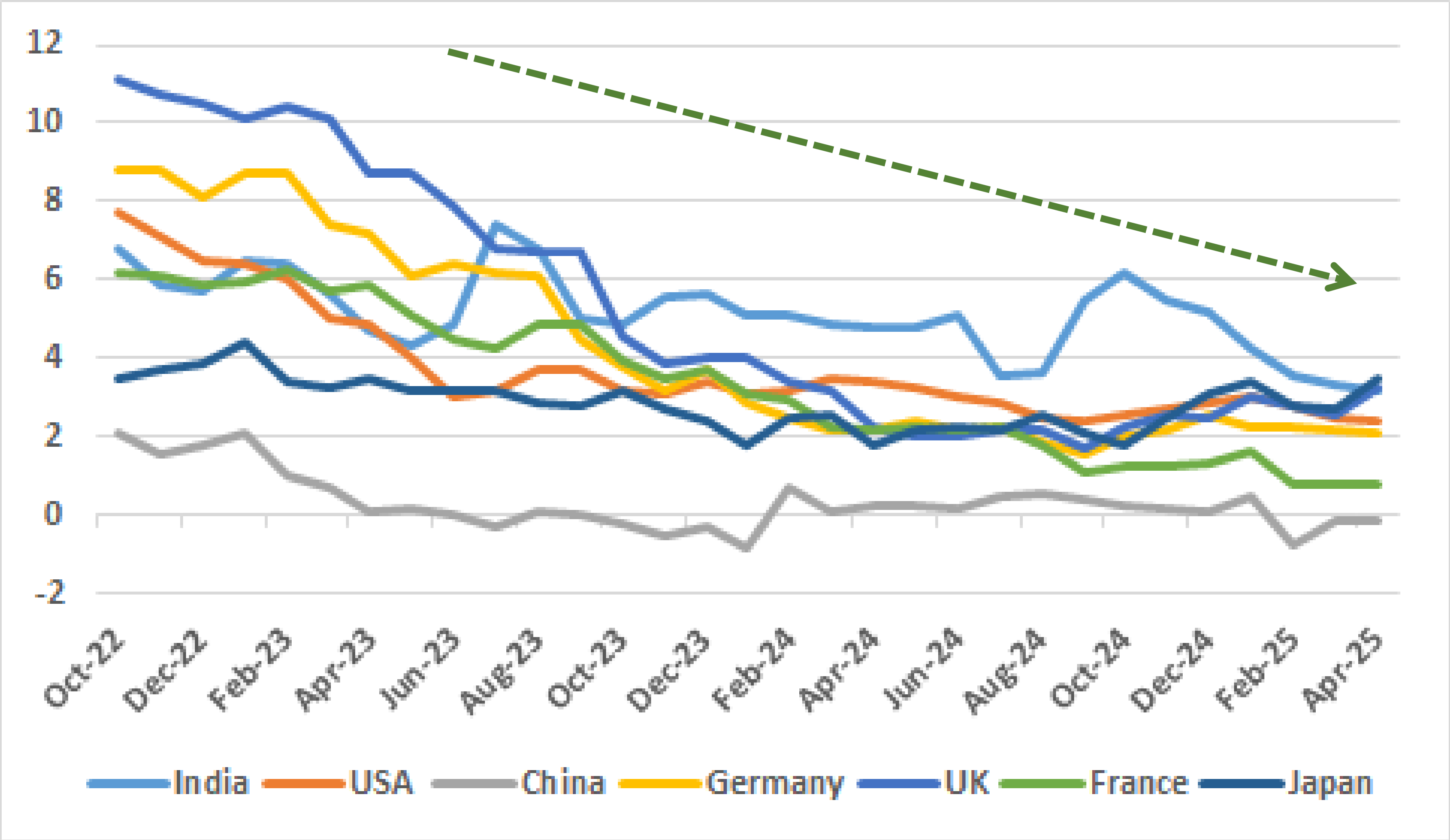
Source: Bloomberg, US Department of Treasury, CEIC

- The U.S. Dollar Index has steadily declined from around 110 in Jan 2025 to 98.5 in June 2025 (10.5% down from its peak), reflecting sustained weakness.

*** 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.**

Global Inflation Continues To Moderate

CPI (Inflation, YoY %)

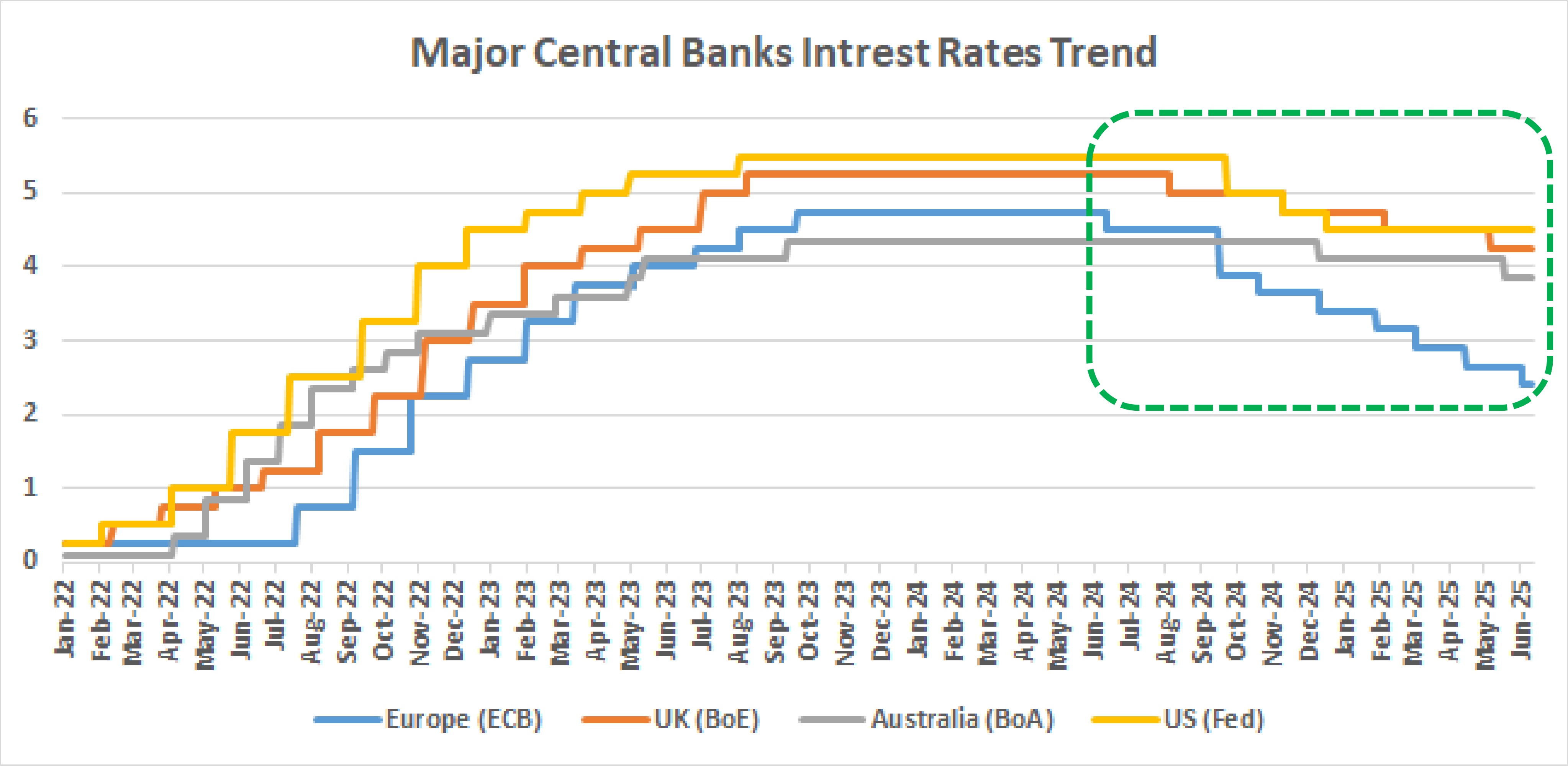


Source: Bloomberg

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

As Inflation Moderates, Major Central Banks Continue To Cut Rates

Historical YoY CPI (Inflation, %)

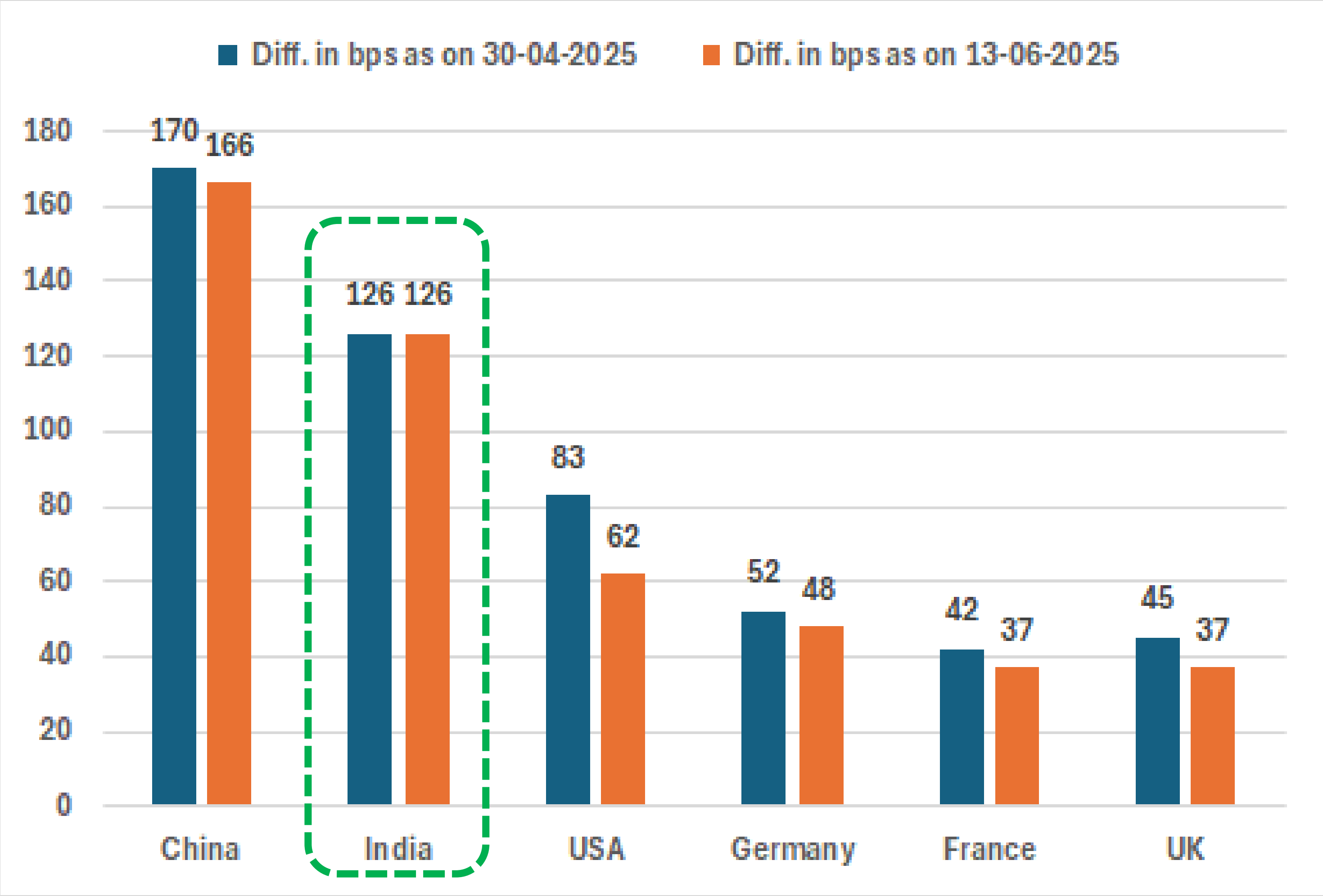


Source: Bloomberg

- Except for the U.S. Fed, most major central banks have continued cutting rates as headline inflation eases.

10-Year Bond Yields Rise Despite Widespread Global Rate Cuts

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



Country	Peak Day	Yield on Peak Day	Yield As on 30-04-2025	Yield As on 13-June-2025	Diff. in bps as on 30-04-2025	Diff. in bps as on 13-06-2025
China	07-01-2021	3.36	1.66	1.70	170	166
India	**16-06-2022**	**7.62**	**6.36**	**6.36**	**126**	**126**
USA	19-10-2023	4.99	4.16	4.37	83	62
Germany	20-09-2023	2.97	2.44	2.49	52	48
France	11-03-2025	3.59	3.17	3.21	42	37
UK	10-01-2025	4.89	4.44	4.52	45	37

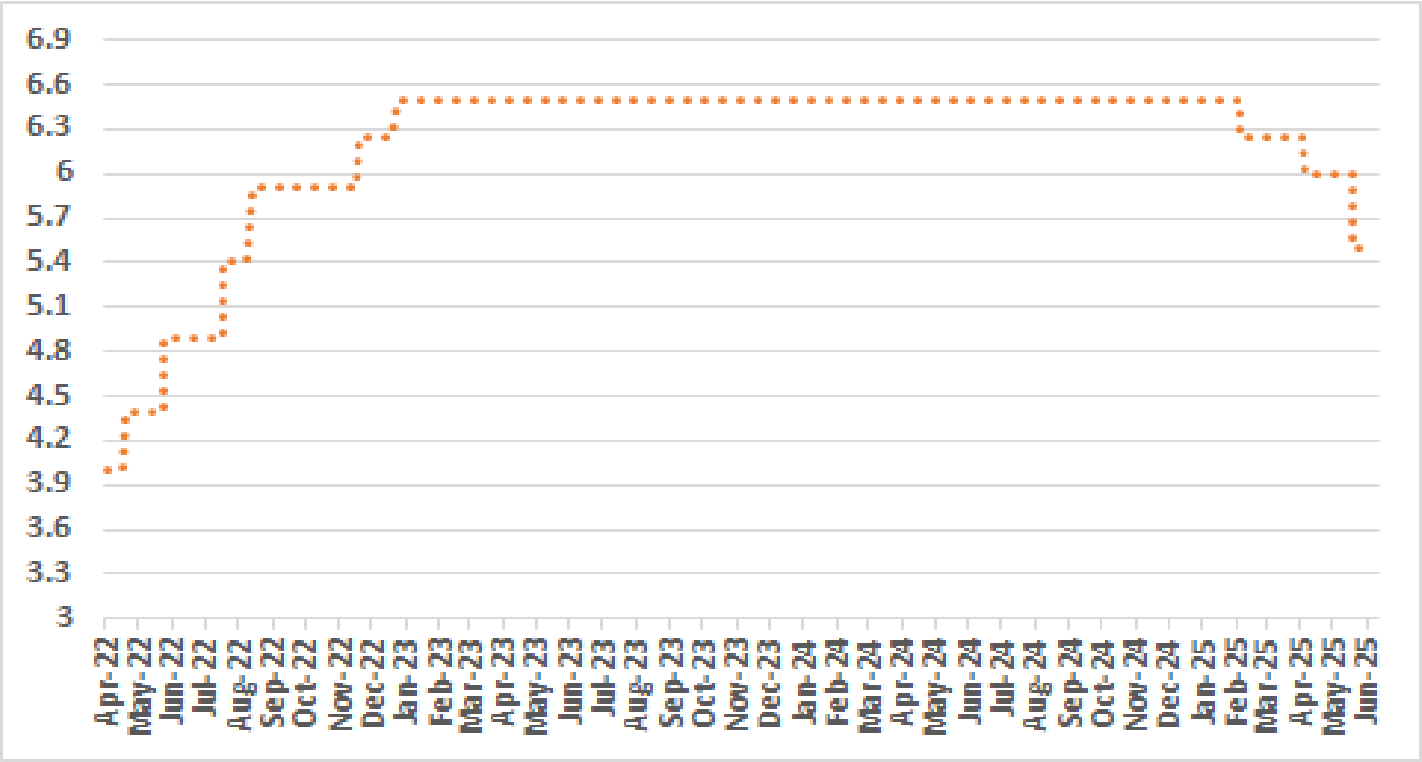
Source: Bloomberg

- The recent uptick in yields across geographies have been driven by a range of factors, including rising fiscal deficits, tariff-related risks, and a gradual economic recovery. However, India has remained relatively resilient in this environment.

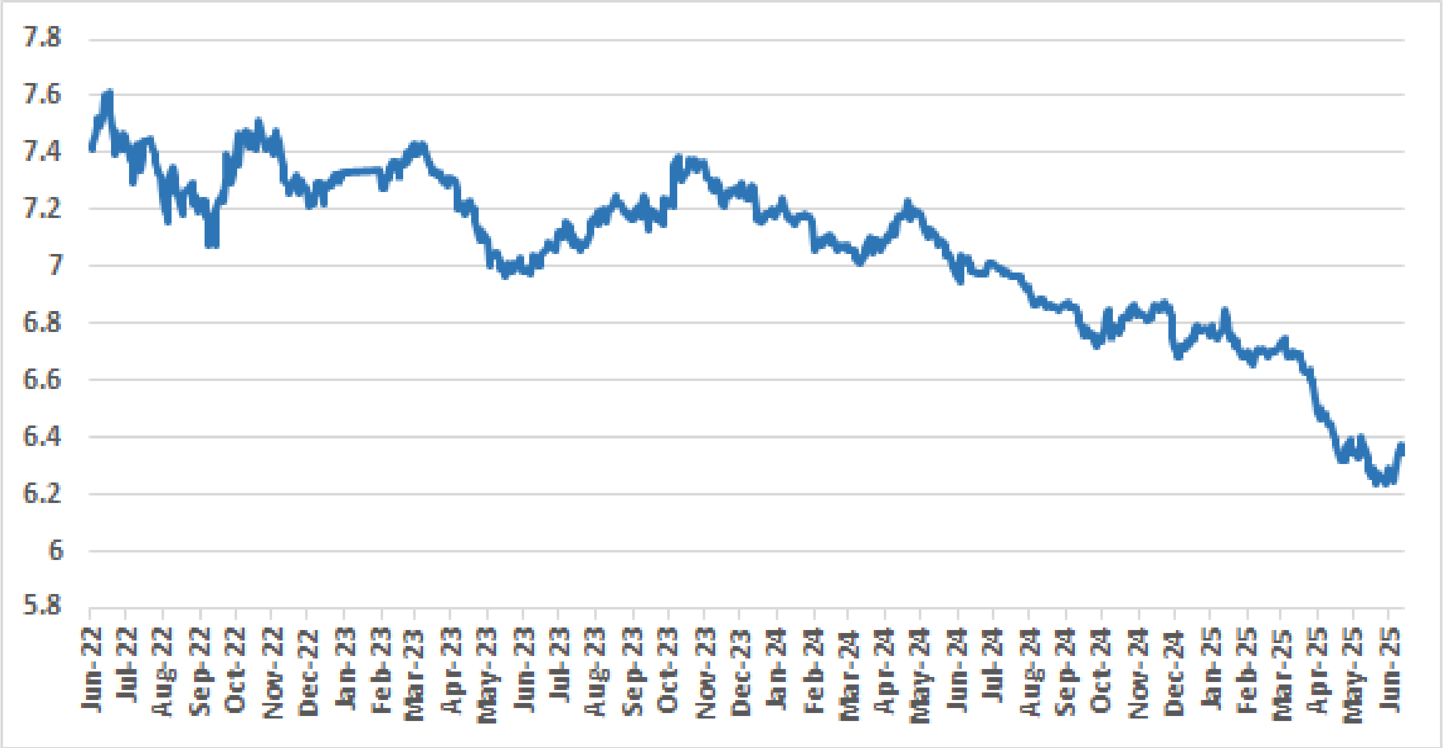
RBI Monetary Policy

RBI - Monetary Policy Decision

Repo Rate Trend (in %)



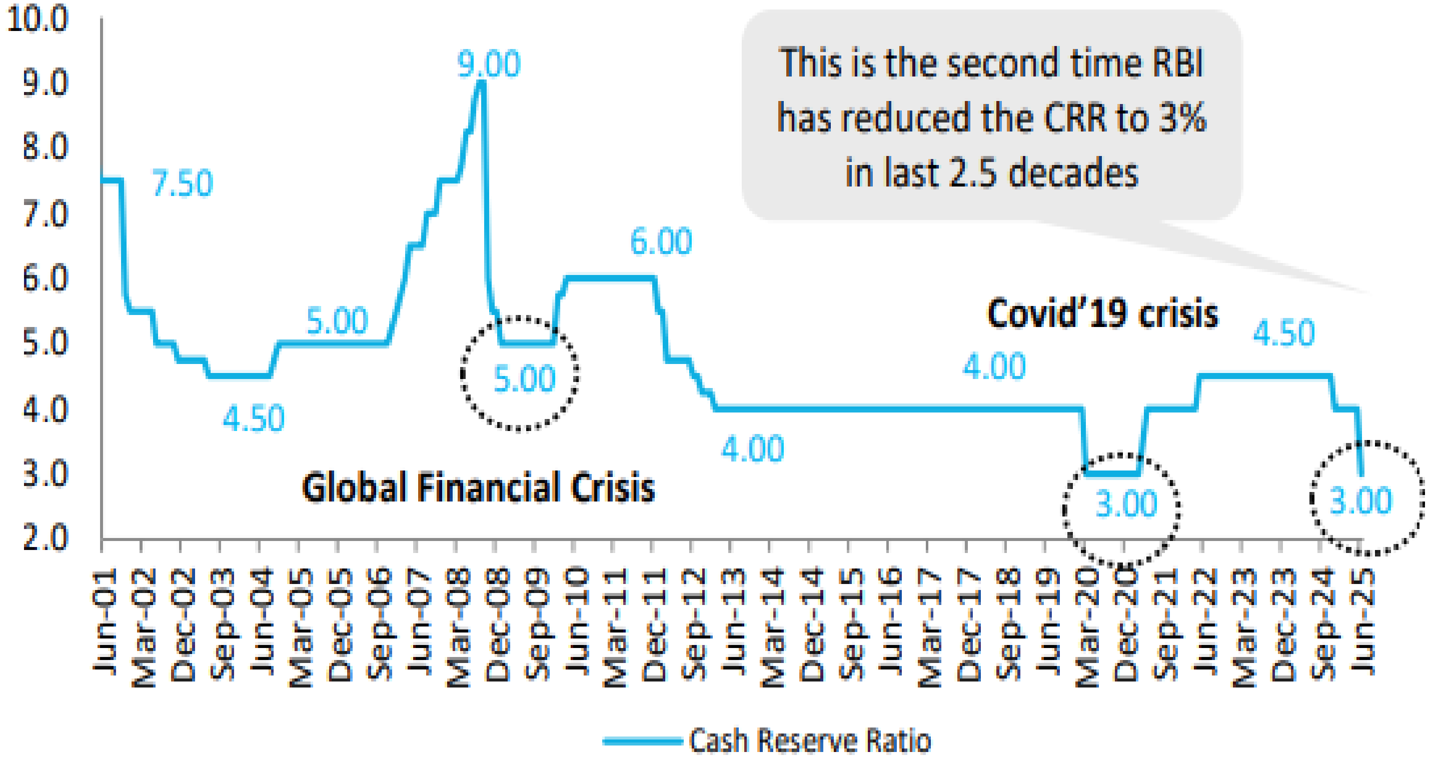
10 Year G-Sec Yield (in %)

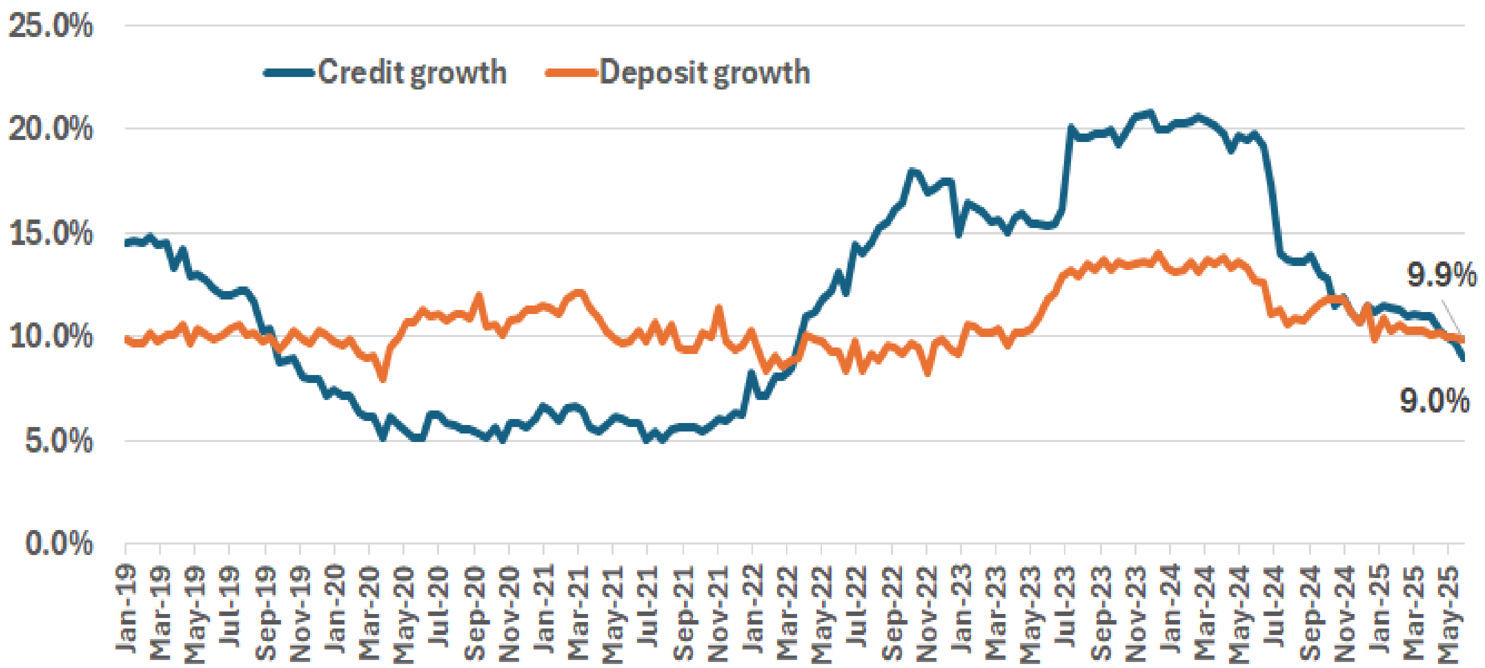


Source: RBI, Bloomberg

- 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 with collateral) by 50 basis points (bps) to 6% from 5.5%.
- This was a third consecutive cut since February 2025 (Cumulatively 100 bps rate cut), signalling the RBI's clear intent to frontload support for economic growth, as inflation continues to ease, and global growth concerns linger.
- While reducing the key rates, the MPC also shifted its stance from "accommodative" to "neutral," to curb any irrational exuberance in the financial markets.

CRR Cut – Positive For Banks





Source: RBI, Bloomberg

- Along with the 50bps Repo rate cut, the RBI also announced a 100bps cut in the cash reserve ratio (CRR) from the current 4% to 3% by November end (in four tranches of 25bps each starting September).
- Cash Reserve Ratio is the money that banks need to deposit with the RBI and is expressed as a percentage of a bank's NDTL (Net demand & time liabilities), effectively the deposits with a bank. **Banks do not earn any interest on the CRR put up with the RBI.**
- A cut in the CRR ratio will support growth and profitability of banks as they can now lend this money (~Rs. 2.2 lac crores) and earn interest on it.
- Overall bank credit growth (9%) has been steadily declining since the past ~18 months and has now fallen below deposit growth (10%) for the first time since 2022.

India's GDP Growth Momentum Remains Steady Despite Global Uncertainty

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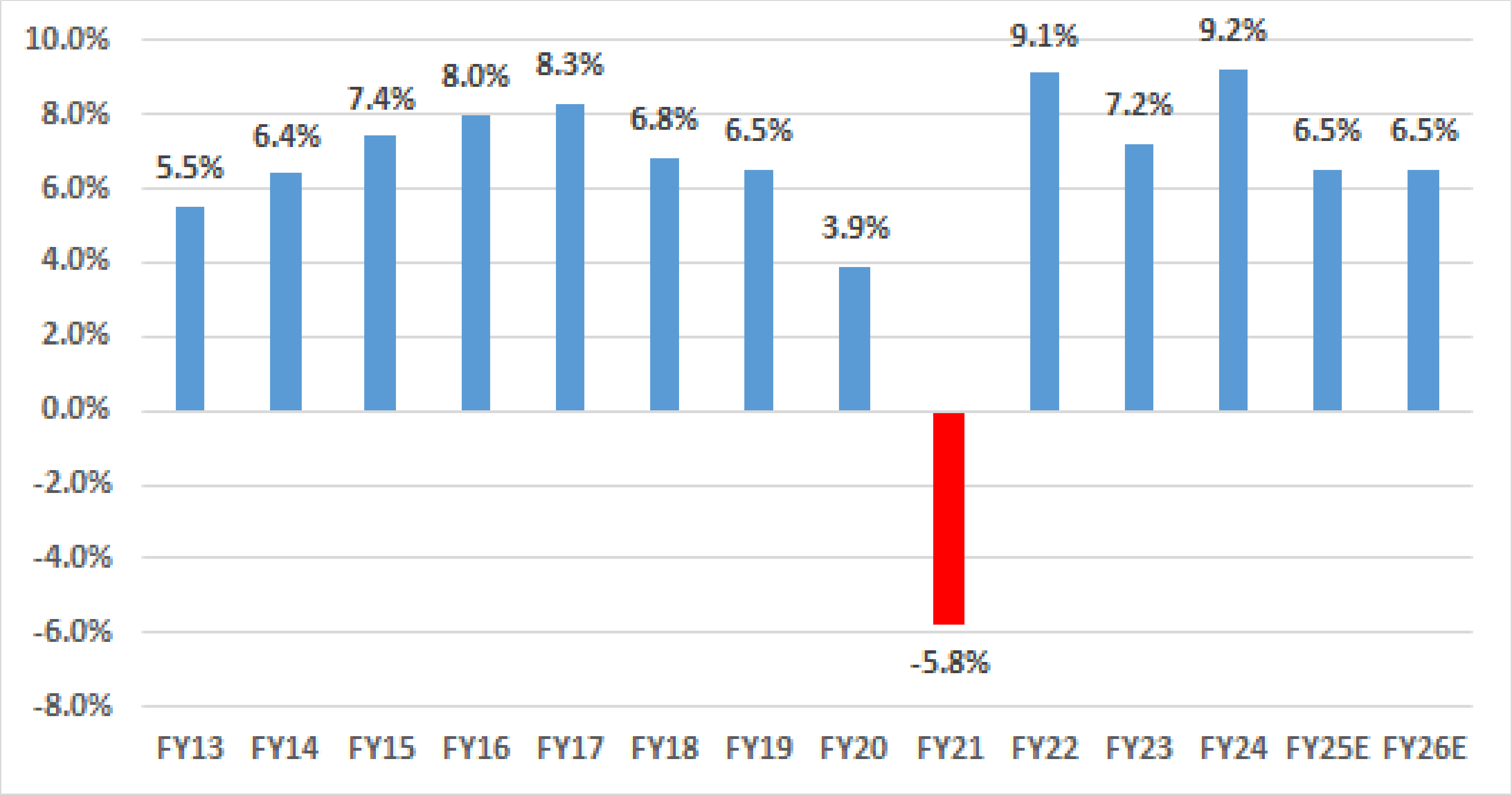
India Fiscal Year-Wise GDP Growth (% YoY)



Source: RBI

- India's GDP growth for FY 2024–25 was recorded at 6.5%, and the RBI expects the same pace to continue in FY 2025–26.
- The economy showed strength in Q4, with private consumption and investment rising. Agriculture has benefited from strong harvests, and services continue to expand robustly.
- Industrial recovery remains uneven but is improving. Domestic demand indicators—including consumer goods sales and capital goods production—are showing positive trends.

India's Inflation: Continue To Ease, A 6 year low of 2.9% in May'25

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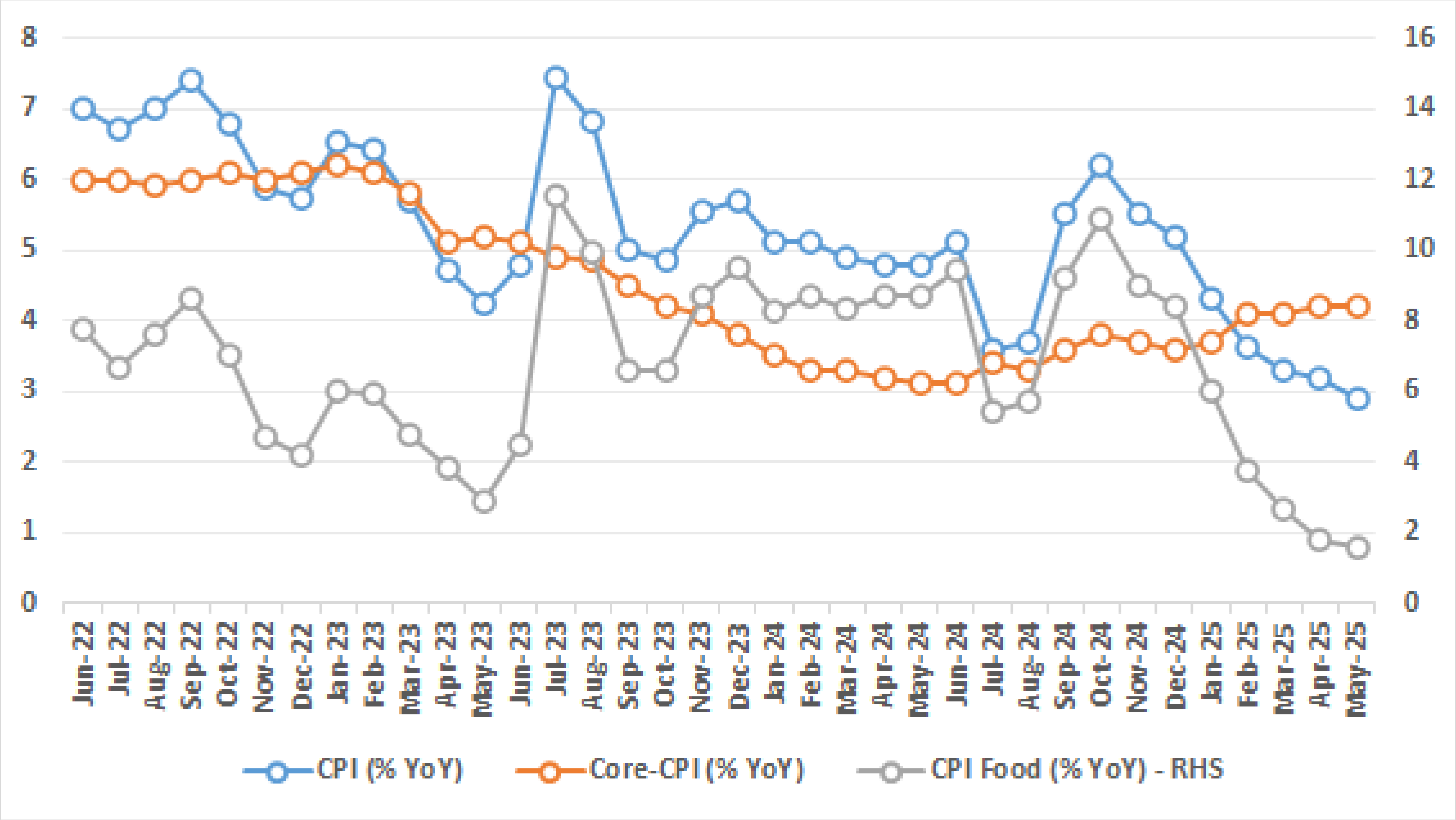
Inflation Trend (in %)



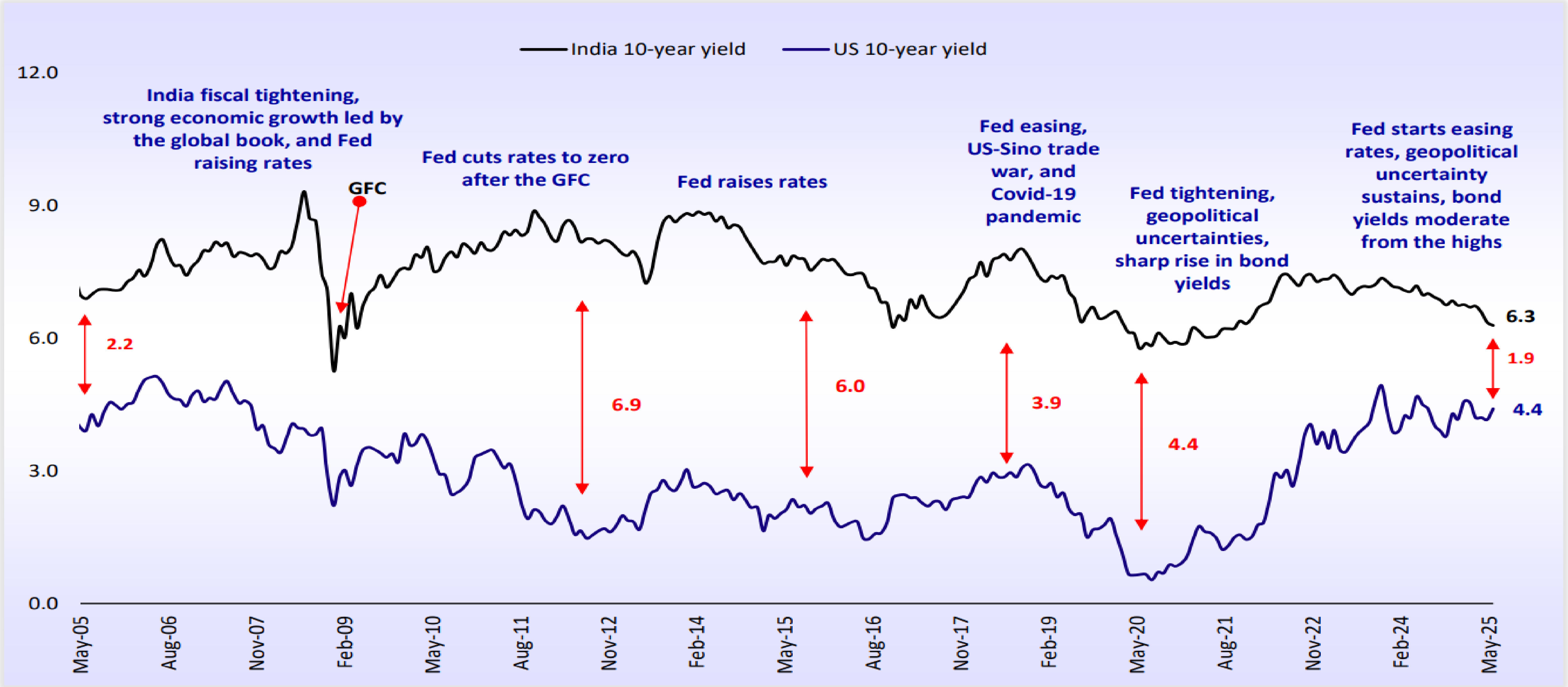
Source: Bloomberg, RBI

- India headline CPI for May-25 was 2.88% lower than consensus estimates of ~ 2.97%. It also continued to print at a new 6 year low
- The moderation in headline inflation was led by food and beverages which grew at ~ 1.5% YoY due to deflation seen in vegetables ~ 13.7% YoY, pulses ~ 8.2% YoY and spices ~ 2.8% YoY.
- Core inflation remains sticky at ~ 4.2% driven by personal care effects up ~ 1.4% MoM driven by gold up ~ 2.9% MoM and ~ 32% YoY

India-US 10Y Yield Spread

LIFE GOALS. DONE.

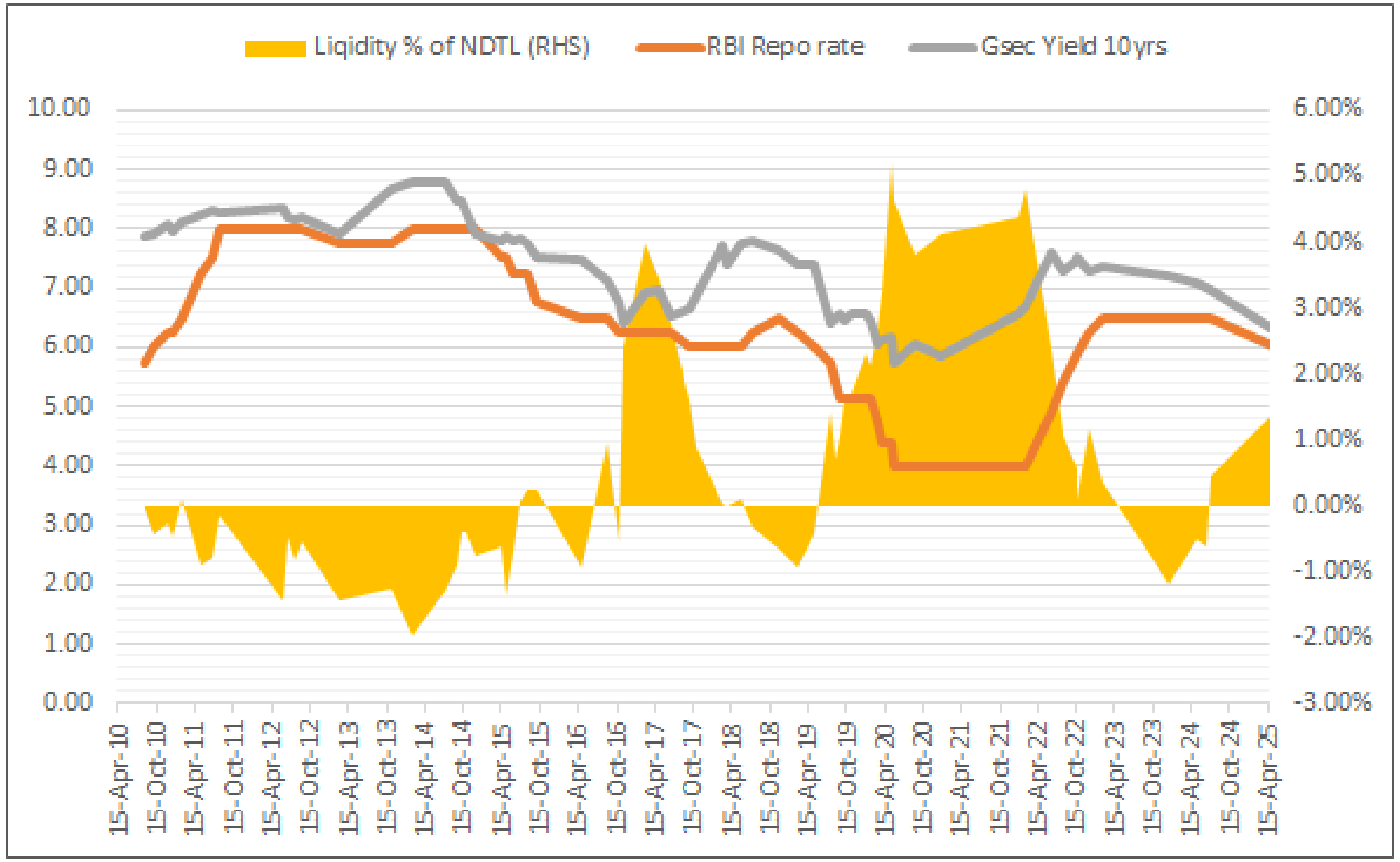
India-US 10Y Yield Spread Trend

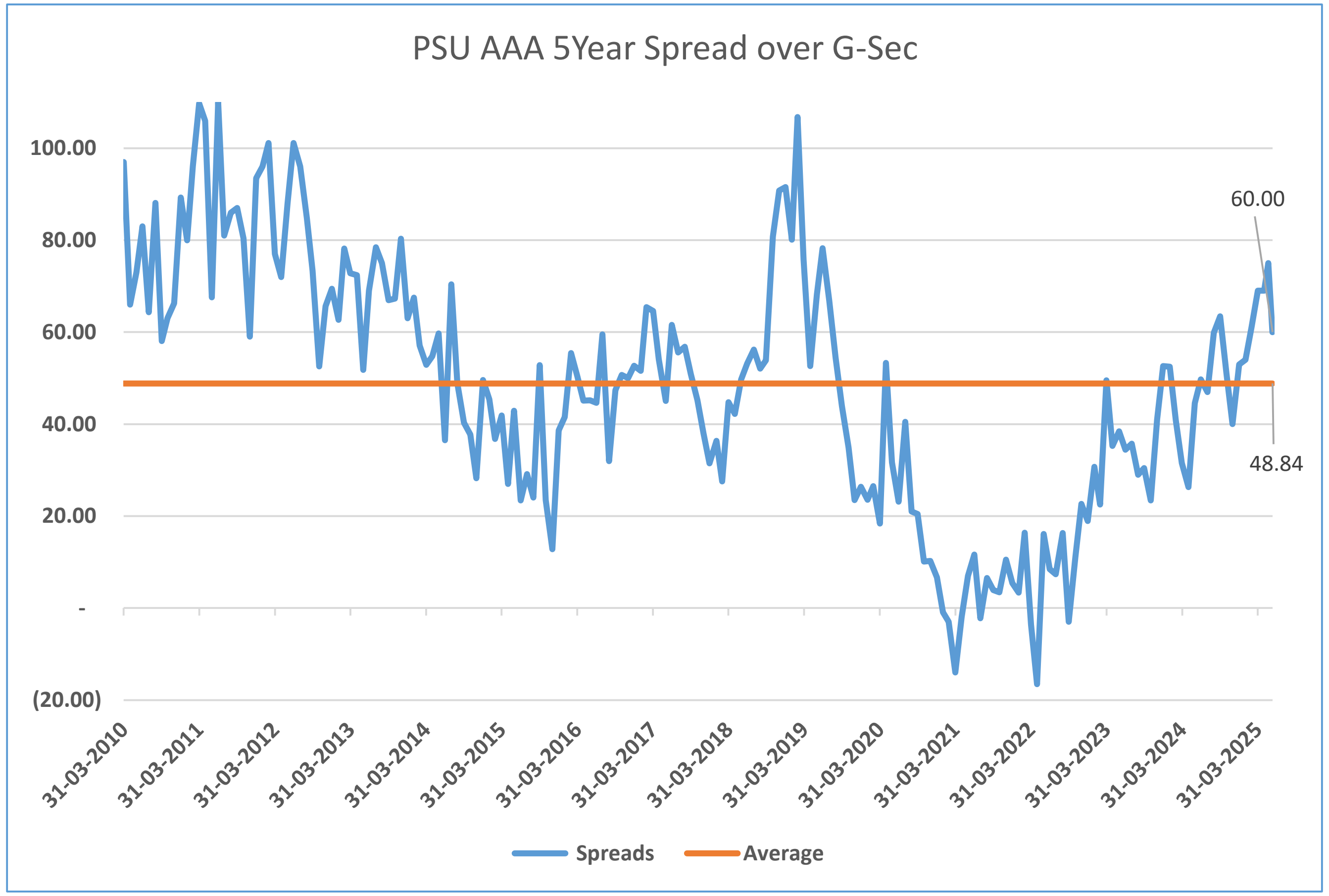


Source: MOFSL, Bloomberg

- India's 10-year government bond yield declined 10bp MoM to 6.3% in Apr'25, while the US yield rose 20bp to 4.4%. As a result, the yield spread narrowed by 30bp MoM to an all-time low of 1.9%.
- India has seen benefits of structural reforms such as MPC framework and better food supply management which has brought down the decadal inflation trends which has also reduced the premium commanded for the yields

Banking System Liquidity Currently In Surplus





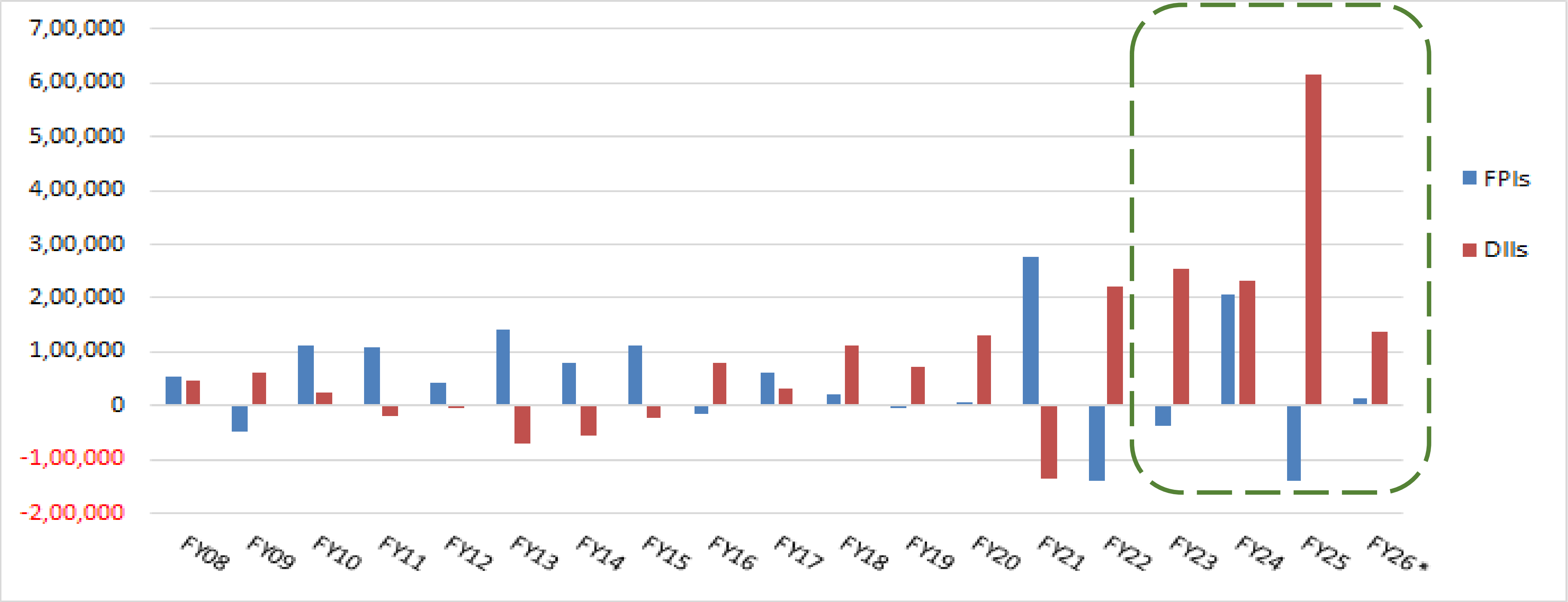
- Currently the Banking system liquidity is in surplus to the tune of 1.09% of NDTL and expected to be positive to the tune of 2% of NTDL (i.e around Rs 5 trn positive in FY 26) which will be higher than the long-term average.

- Corporate Bonds spreads are at elevated levels at around 60 bps higher than its long-term average of 49 bps

Market Flows

FPI Flows Have Turned Positive In FY26, DII Flows Continues To Be Strong

LIFE GOALS. DONE.



Source: NSDL, BALIC Research, * As on 12 June 2025

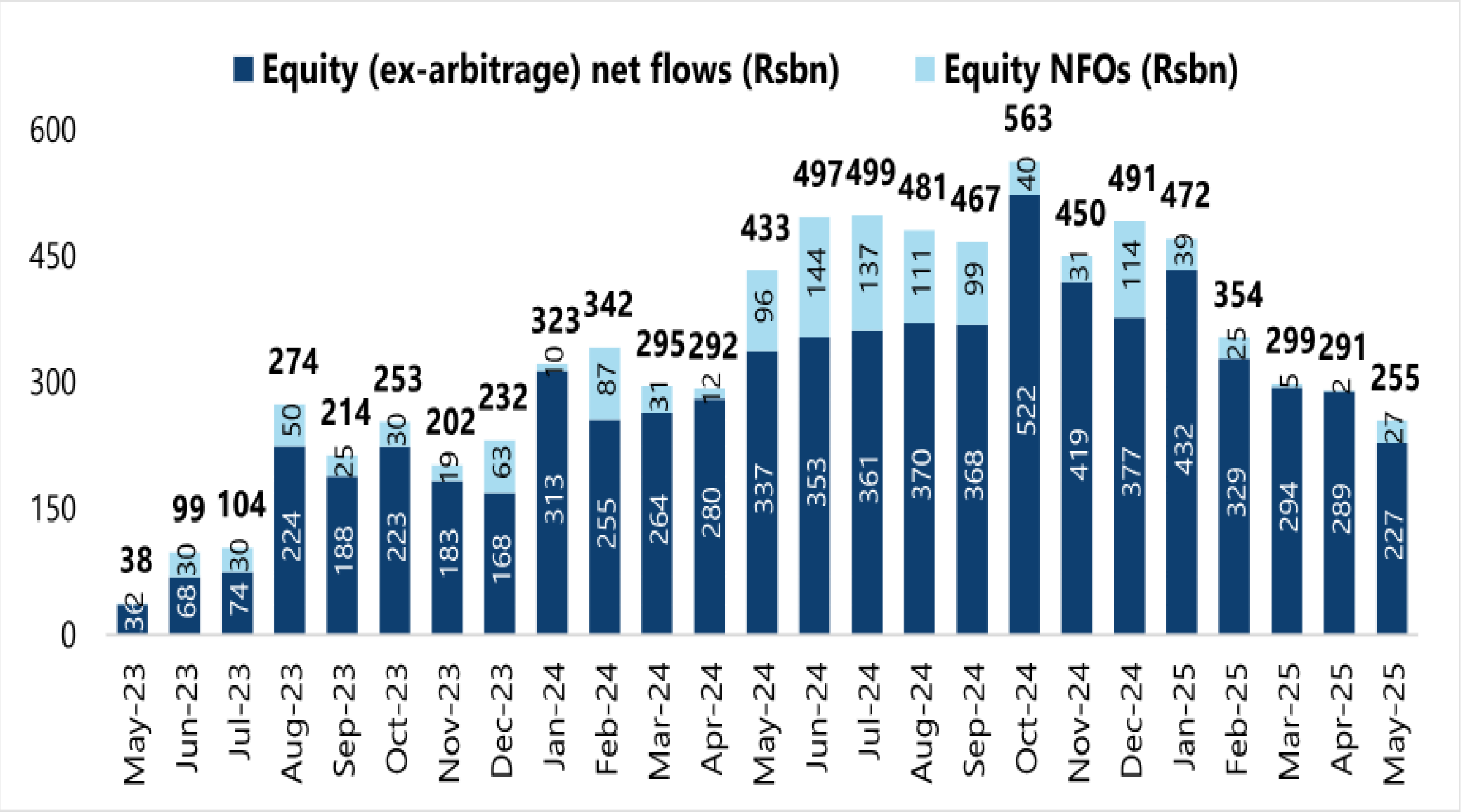
- After being net sellers in FY25, so far in FY26 (up to 12 June 2025), both FPI and DII flows have been positive. FPIs have recorded net inflows of Rs. 13,337 crore.

- Meanwhile, DIIs have continued their positive momentum, posting inflows of Rs. 1,36,979 crore during the same period — reflecting strong domestic investor confidence.

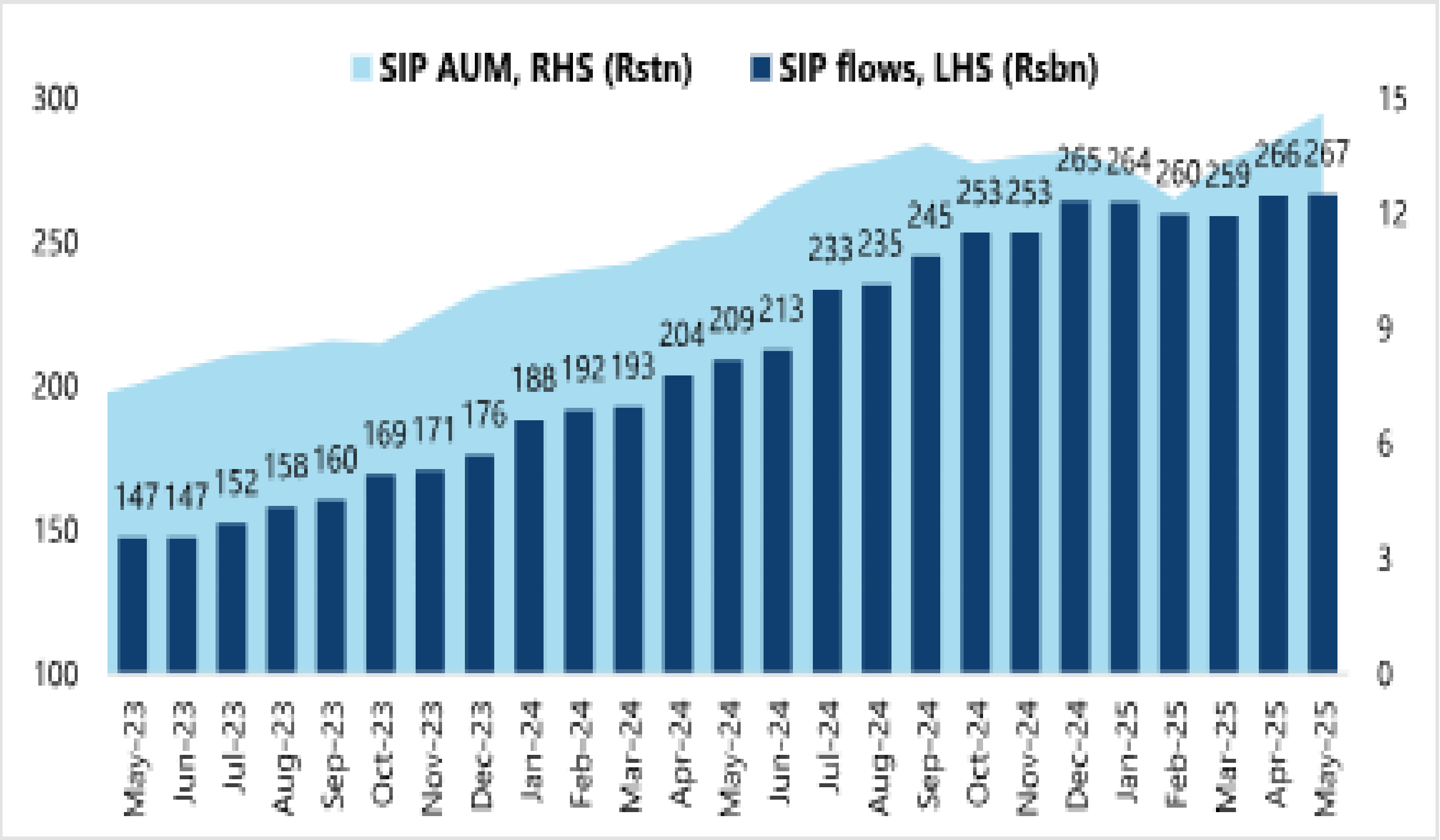
- Some of this liquidity is getting absorbed by increased supply. Just in the month of May promoters and other institutional investors sold stocks worth >Rs. 50,000cr via blocks, activity in the IPO market is also ramping up.

MF Flows – Some Deceleration In Equity Inflows Due To Higher Redemptions; SIPs Stable

Flows in Equity mutual fund schemes



Gross SIP flows & AUM

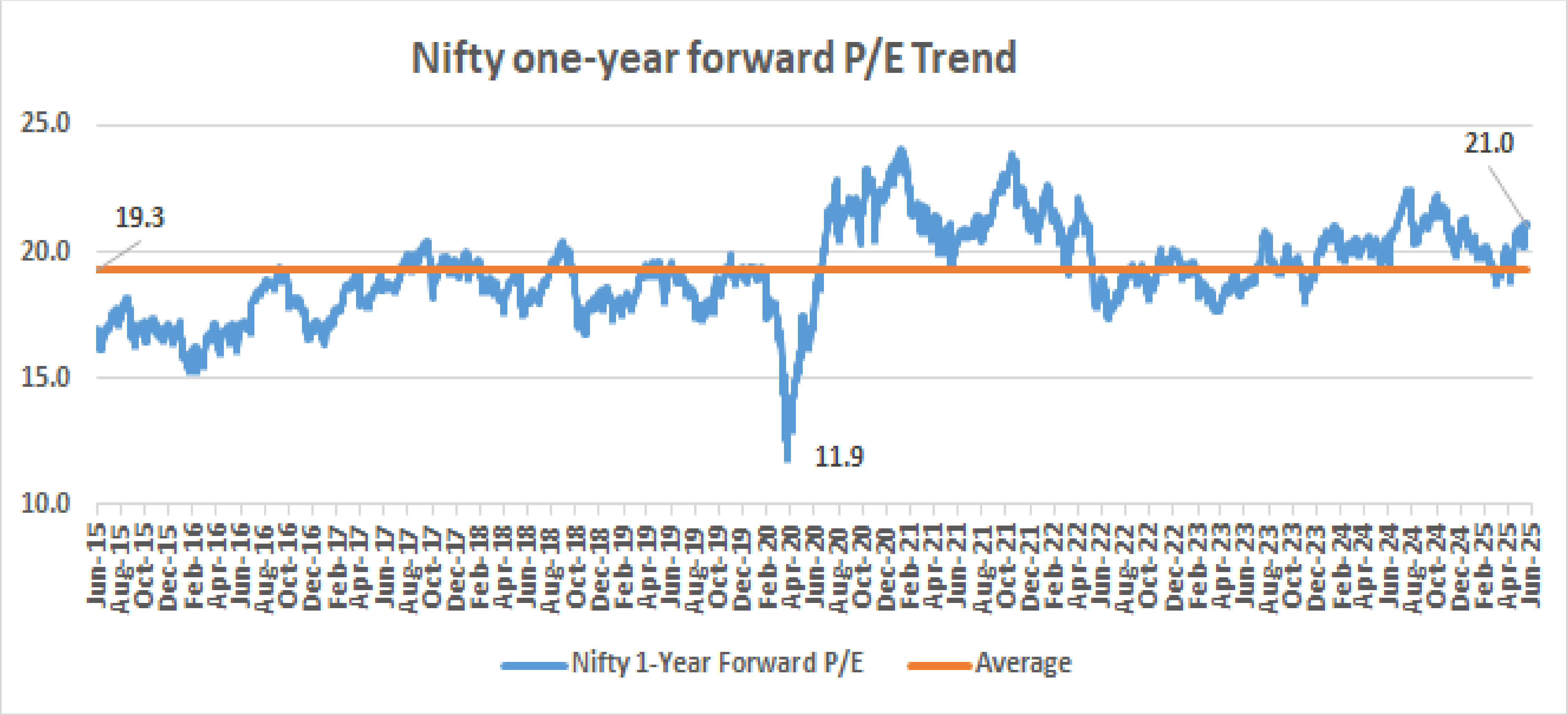


Source: AMFI, Jefferies

- In May-25, net equity flows (ex. arb & NFOs) were down 21% MoM at Rs227bn (0.6% of op. AUM), while SIP flows were Rs267bn (+28% YoY/flat MoM).
- Net equity flows in May-25 were the lowest in the last 16-months, equity gross redemptions increased by 11% MoM.

Market Valuations

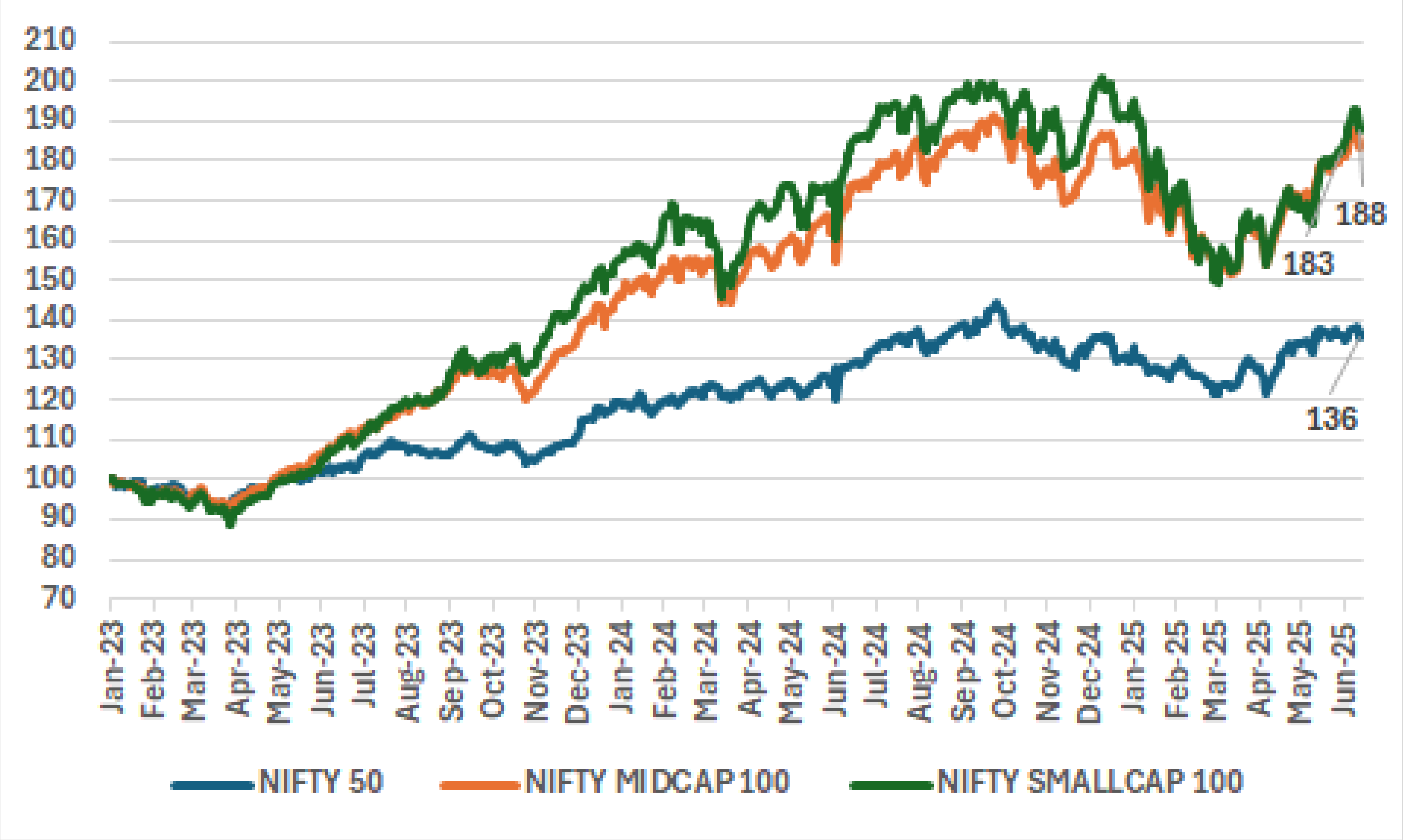
Valuations Stay Higher Amid Market Rally



Source: Bloomberg, BALIC Research

- Nifty 50's 1-Year Forward P/E has inched up following the recent market gains and is now slightly above its 10-year average of 19.2x.

Mid & Small Caps Significantly Outperformed Large Cap In Last 2 Years



Source: Bloomberg, NSE, BALIC Research, As on 13th June 2025

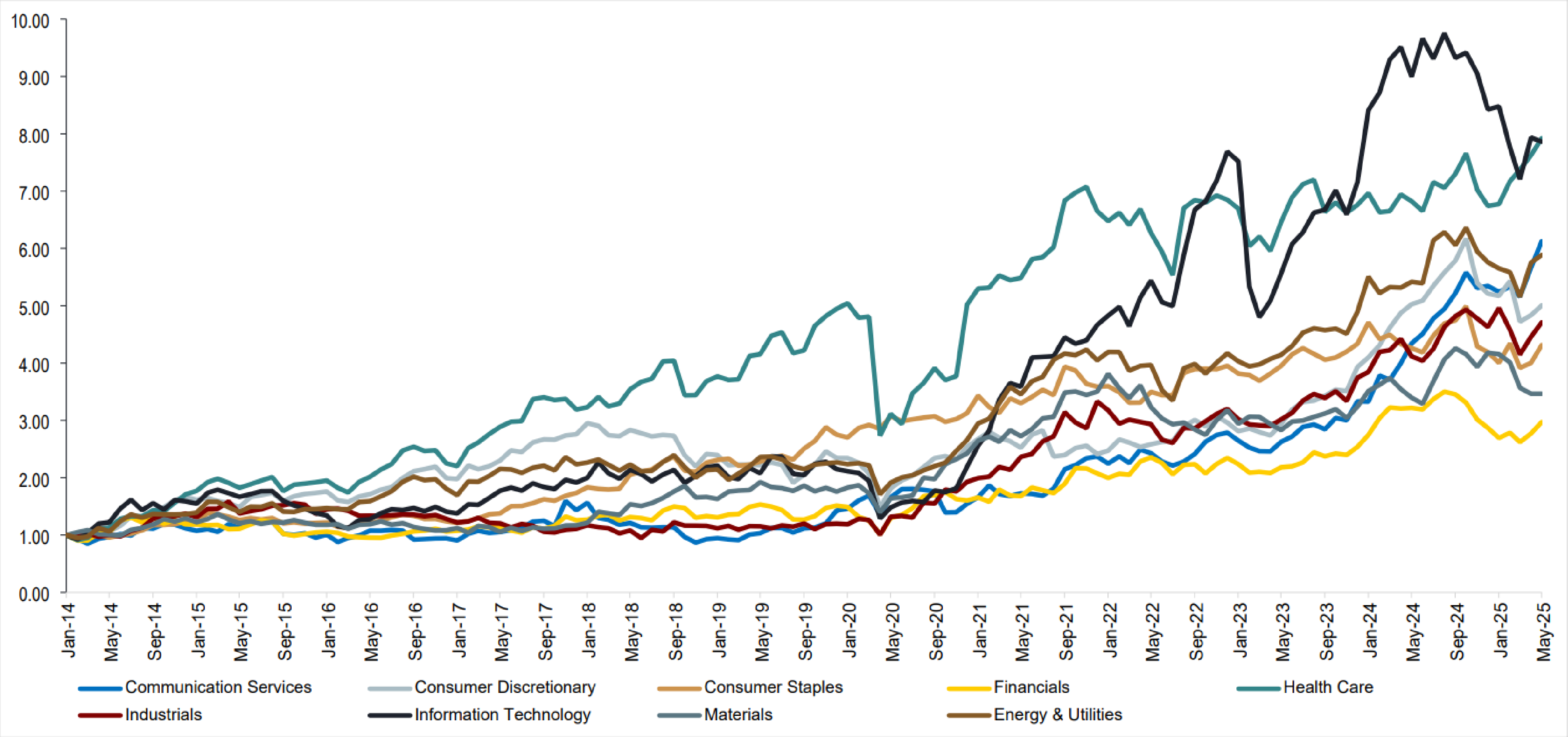
Index	P/E (Price/Earnings Per Share)
Nifty 50	22.32
Nifty Mid Cap 100	32.84
Nifty Small Cap 100	31.65

Source: NSE Factsheet as on 30-May-2025

- Mid & Small Cap Indices continue to outperform Nifty 50 by a significant margin since Jan 2023 (>2 Years). During this period, Mid & Small Caps are up 83% & 88 %, respectively, compared to a 36% return for Nifty50.

- Mid & Small Cap (on a Historical P/E basis) are still trading at relatively high valuations, with further room for correction.

NIFTY Sectoral Indices Relative Movement



Source: Investec, Bloomberg

- Health Care and Information Technology sectors have significantly outperformed other NIFTY sectoral indices since 2020, reflecting investor preference for defensives and digital transformation plays post-pandemic.

- In contrast, traditional sectors like Financials and Communication Services have lagged in relative performance, indicating muted investor confidence in cyclicals amid macroeconomic uncertainty.

Market Outlook & View

Indian Equity Market Outperforms

Performance as on 30th May 2025								
Index Name	Country / Region	1 Yr	2 Yrs	3 Yrs	5 Yrs	7 Yrs	10 Yrs	15 Yrs.
Nifty 50	**India**	**9.9%**	**15.6%**	**14.3%**	**20.9%**	**12.7%**	**11.4%**	**11.1%**
FSE DAX TR	Germany	29.7%	23.8%	18.6%	15.7%	9.6%	7.7%	9.7%
TSEC TAIEX	Taiwan	0.8%	13.5%	8.3%	14.3%	10.1%	8.2%	7.3%
S&P 500	United States	12.0%	18.9%	12.7%	14.2%	11.8%	10.9%	11.9%
MSCI World	World	12.1%	17.5%	11.4%	12.4%	9.1%	8.1%	8.9%
Nikkei 225 Average	Japan	-1.4%	10.9%	11.6%	11.6%	8.0%	6.3%	9.5%
CAC 40	France	-3.0%	4.5%	6.2%	10.5%	5.3%	4.5%	5.4%
BOVESPA TR	Brazil	12.2%	12.5%	7.2%	9.4%	8.6%	10.0%	5.3%
FTSE/SGX STI	Singapore	16.7%	11.0%	6.4%	9.2%	1.8%	1.4%	2.3%
JSX Composite	Indonesia	2.9%	4.0%	0.1%	8.6%	2.6%	3.2%	6.5%
S&P/ASX 200	Australia	9.5%	9.1%	5.4%	7.9%	5.0%	3.9%	4.4%
FTSE 100	United Kingdom	6.0%	8.5%	4.9%	7.6%	1.9%	2.3%	3.6%
FTSE SET All Share	Thailand	5.4%	8.2%	4.2%	7.2%	1.7%	2.3%	3.9%
KOSPI	South Korea	2.3%	2.3%	0.1%	5.8%	1.5%	2.5%	3.4%
MSCI AC Asia Ex Japan	Asia Ex Japan	12.4%	10.5%	3.1%	4.6%	0.9%	2.1%	3.4%
MSCI EM	Emerging Markets	10.3%	9.9%	2.4%	4.5%	0.5%	1.4%	1.5%
Shanghai Composite	China	8.4%	2.2%	1.7%	3.2%	1.1%	-3.1%	1.7%
FTSE Bursa Malaysia KLCI	Malaysia	-5.5%	4.3%	-1.3%	0.5%	-2.0%	-1.5%	1.1%
Hang Seng	Hong Kong	28.8%	13.0%	2.8%	0.3%	-3.8%	-1.6%	1.1%
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.**
- **On a 5-year, 7-year, and 10-year basis, the Indian equity market has consistently topped the chart, delivering the highest returns among all major global stock markets.**

Equity Market Outlook

Equity Markets: Nifty rose 1.7% in May (3rd straight monthly gain). Mid-cap and small-cap indices outperformed, up 6.1% and 8.7%, respectively. Capital goods (+13%), realty (+7%), and metals (+6%) led sectoral gains; FMCG declined.

Global Trade: US-China tariff talks eased tensions mid-month; later reversed after US accused China of non-compliance.

Domestic Macro: FY25 GDP growth at 6.5% (vs. 9.2% in FY24), slightly above consensus (6.3%).

RBI surprised with front-loaded stimulus: 50 bps repo cut and 100 bps CRR cut. Measures expected to lower lending rates and stimulate demand; markets reacted positively.

Forex reserves at $691.5B (11+ months import cover); external sector stable despite global uncertainty. Trade remains weak due to global slowdown, but FTAs may support exports.

Indian Market Drivers: Rising crude prices could push up import bills.

Corporate earnings: Q4FY25 turned out to be another quarter of muted growth with Nifty500 companies registering a PAT growth of ~7% yoy while the companies from Nifty50 delivered just 3% growth. Overall, FY25 concluded with mid-single digit earnings growth for the listed universe.

Earnings expectation: At the aggregate level, earnings downgrades continue, however the pace is now ebbing. We expect Nifty50 earnings to grow by 8% in FY26 followed by 12% in FY27.

Flows: FPI inflows positive since mid-April as India remains relatively insulated from US tariff impacts. However, the strong flows are partially getting absorbed by the primary markets.

Valuations elevated: Nifty50 only marginally above historical average; mid/small caps significantly higher.

Outlook: Elevated valuations + earnings risk could cap upside, continued flows remain supportive for the equity markets.

Prefer Large cap and flexi cap funds in the medium term as they offer a more balanced risk-reward.

Fixed Income Market Outlook

LIFE GOALS. DONE.

- Domestic Inflation: Subdue- RBI revised inflation projection by 30bps to 3.7% for FY25.
- RBI MPC: Strong support for growth - RBI has cut repo rate by 50bps in June 25 policy with cumulative cut of 100 bps from Feb 25
- Banking system Liquidity: Durable Surplus- CRR cut by 1% from Sep 2025 onwards to provide additional liquidity of Rs 2.5 trn
- RBI Stance change - RBI is left with very limited space to support growth. Hence, changed stance to Neutral from accommodative
- With limited space available with RBI, bar for additional rate cut is very high
- RBI projects 6.5% GDP for FY26, growth slowdown can open space for rate cut in H2FY26
- Based on the above outlook, we prefer 3-year to 5-year corporate bond segment
- Key risks : Growth slowdown, higher commodities price and below average monsoon

Thank You

IN UNIT LINKED INSURANCE POLICIES, THE INVESTMENT RISK IN INVESTMENT PORTFOLIO IS BORNE BY THE POLICYHOLDER. The premium paid in unit linked insurance policies are subject to investment risks associated with capital markets and the NAV of the Units may go up and down based on the performance of fund and factor influencing the capital market and the insured is responsible for his/her decision.

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