



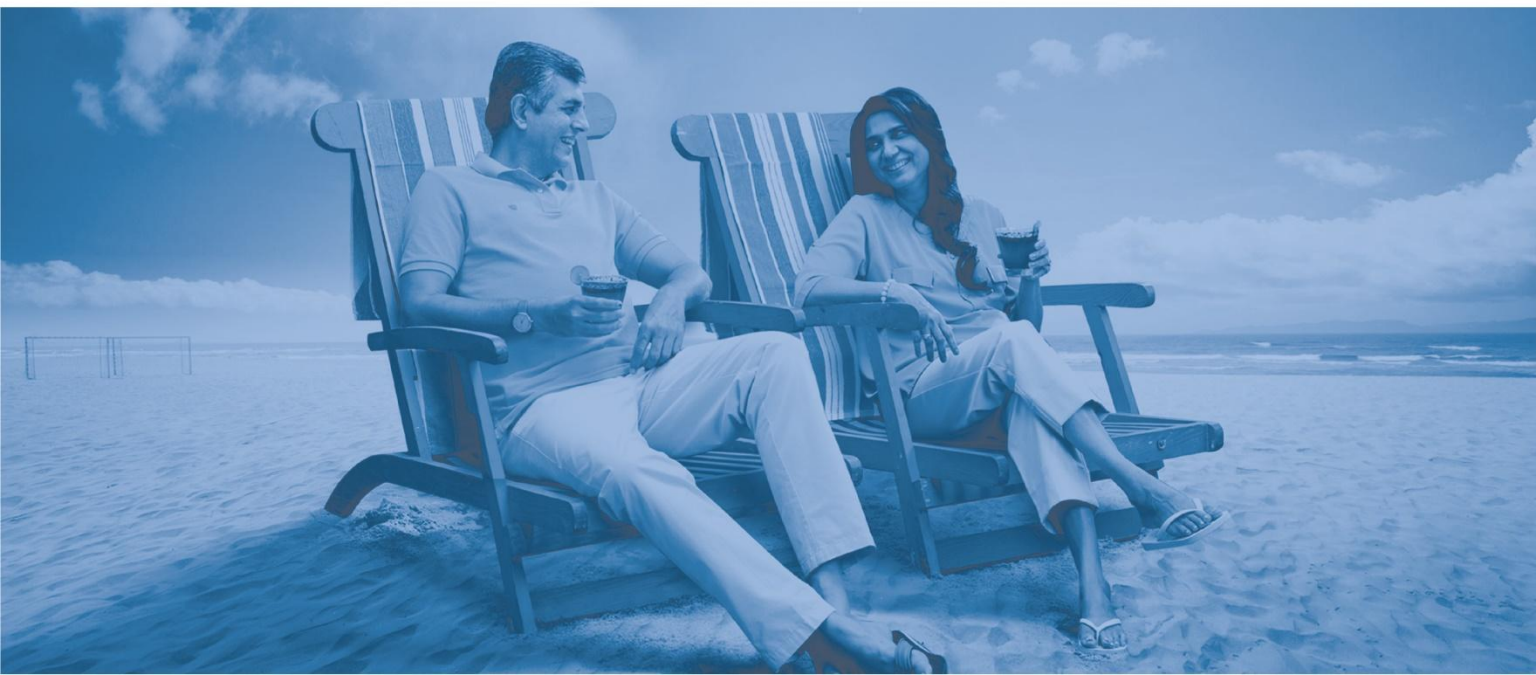
BALIC – Market Insights

July 2025



Allianz 

LIFE GOALS. DONE.



**Global Macros &
Markets**

**Domestic Macro &
Monsoon Update**

Valuations

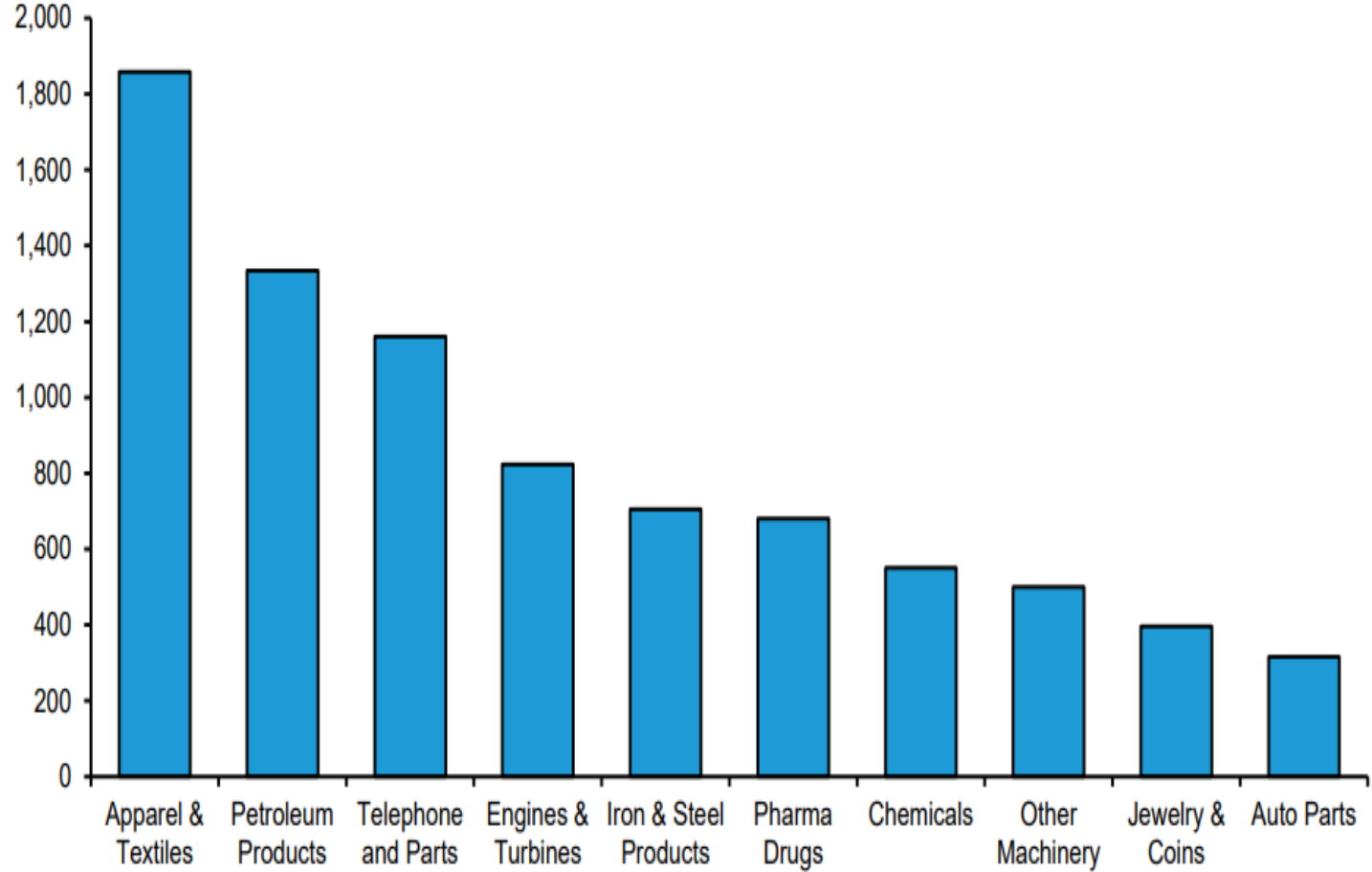
Flows

**ULIP Fund
Performance**

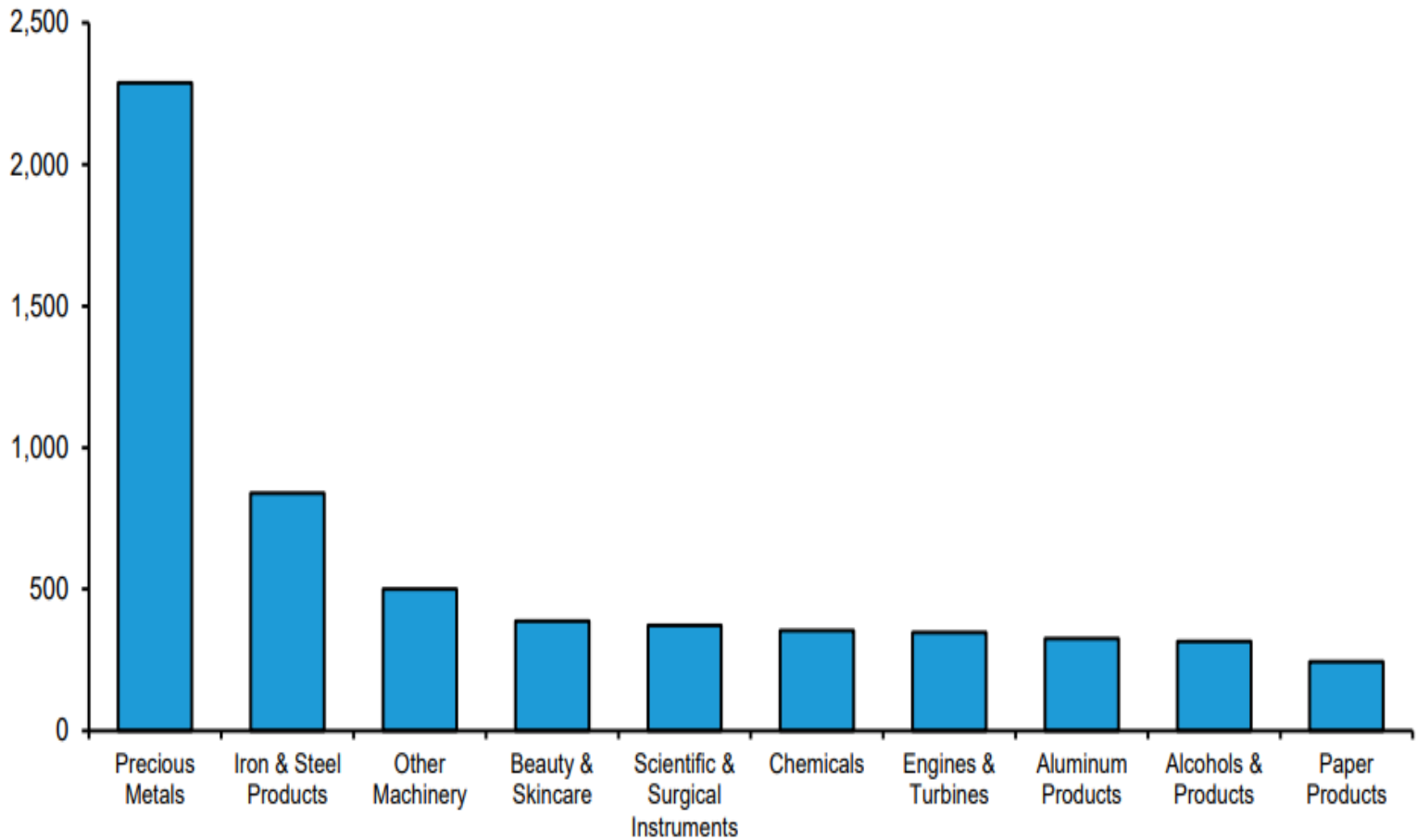
**Market
Outlook & View**

Global Macros & Markets

Top export categories of India to the UK (values in USD million) in FY2024



Top import categories of India from the UK (values in USD million) in FY2024



Source : Ministry of Commerce, Bernstein

What does India get: Duty-free access for 99% of its products. While not much at an overall level, given UK’s tariffs were significantly lower than India (3.2% vs 12% as per WTO), it does spell positives in the textile, footwear, metals and autos sector where tariffs were relatively higher, and the export volumes to the UK are also material.

India to remain the fastest growing economy

OECD Economic Outlook, GDP Growth Forecast Trend (% YoY)

	Average 2013-2019	2023	2024	2025	2026
		Per cent			
Real GDP growth¹					
World ²	3.4	3.4	3.3	2.9	2.9
G20 ²	3.5	3.8	3.4	2.9	2.9
OECD ²	2.3	1.8	1.8	1.4	1.5
United States	2.5	2.9	2.8	1.6	1.5
Euro area	1.9	0.5	0.8	1.0	1.2
Japan	0.8	1.4	0.2	0.7	0.4
Non-OECD ²	4.4	4.7	4.5	4.1	3.9
China	6.8	5.4	5.0	4.7	4.3
India ³	6.8	9.2	6.2	6.3	6.4
Brazil	-0.4	3.2	3.4	2.1	1.6
OECD unemployment rate⁴	6.5	4.8	4.9	5.0	4.9
Inflation¹					
G20 ^{2,5}	3.0	6.3	6.2	3.6	3.2
OECD ⁶	1.7	7.1	5.1	4.1	3.2
United States ⁷	1.3	3.8	2.5	3.2	2.8
Euro area ⁸	0.9	5.4	2.4	2.2	2.0
Japan ⁹	0.9	3.3	2.7	2.8	2.0
OECD fiscal balance¹⁰	-3.1	-4.6	-4.7	-4.6	-4.7
World real trade growth¹	3.3	1.2	3.8	2.8	2.2

- Global GDP growth is projected to slow from 3.3% in 2024 to 2.9% this year and in 2026.
- The U.S. GDP growth is projected at 1.6% in CY25, declining to 1.5% in CY26.
- China's economic growth is expected to remain within the 4.3%–4.7% range in CY25 & CY26.
- **India is projected to have the highest growth among major global economies, with GDP expanding to 6.3%–6.4% during FY26–& FY27.**

For India fiscal year being considered. 2025 = FY26 , 2026= FY27

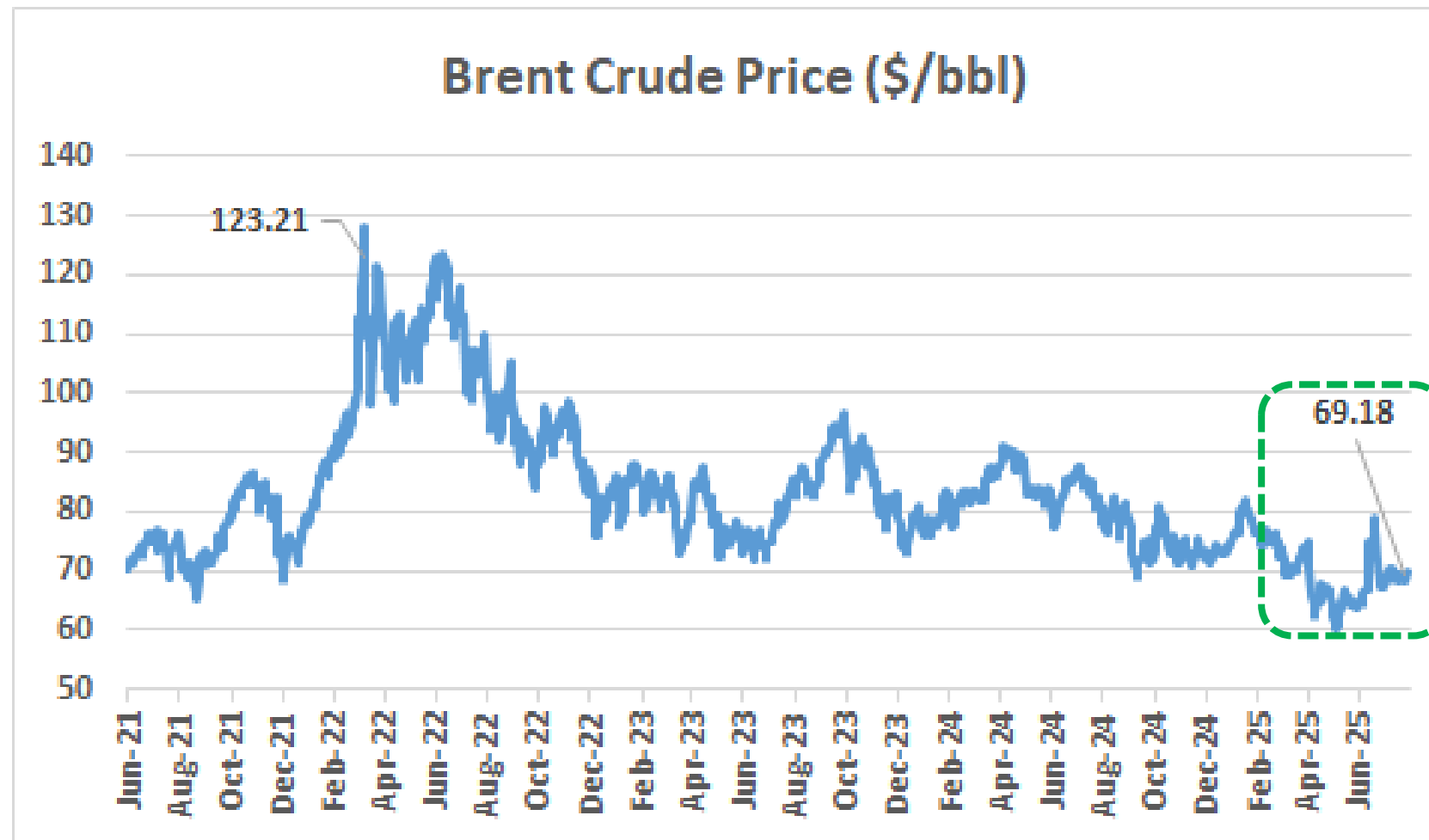
Source: OECD Economic Outlook, June 2025

Indian Equity Market Outperforms in The Long-Term

Performance as on 30th June 2025								
Index Name	Country / Region	1 Yr	2 Yrs	3 Yrs	5 Yrs	7 Yrs	10 Yrs	15 Yrs.
Nifty 50	India	6.3%	15.3%	17.4%	19.9%	13.2%	11.8%	11.0%
S&P 500	United States	13.6%	18.1%	17.9%	14.9%	12.5%	11.6%	12.7%
FSE DAX TR	Germany	31.1%	21.6%	23.2%	14.2%	9.9%	8.1%	9.7%
TSEC TAIEX	Taiwan	-3.4%	14.7%	14.5%	13.9%	10.8%	9.1%	7.7%
MSCI World	World	14.7%	16.5%	16.5%	12.8%	9.8%	8.8%	9.4%
Nikkei 225 Average	Japan	2.3%	10.4%	15.3%	12.7%	8.9%	7.2%	10.2%
CAC 40	France	2.5%	1.8%	9.0%	9.2%	5.3%	4.8%	5.5%
FTSE/SGX STI	Singapore	18.9%	11.2%	8.5%	8.9%	2.8%	1.8%	2.3%
BOVESPA TR	Brazil	12.1%	8.4%	12.1%	7.9%	9.7%	10.1%	5.6%
KOSPI	South Korea	9.8%	9.4%	9.6%	7.8%	4.0%	4.0%	4.0%
S&P/ASX 200	Australia	10.0%	8.9%	9.1%	7.7%	4.7%	4.6%	4.7%
FTSE 100	United Kingdom	7.3%	7.8%	6.9%	7.3%	2.0%	3.0%	3.9%
JSX Composite	Indonesia	-1.9%	2.0%	0.1%	7.1%	2.6%	3.5%	5.9%
FTSE SET All Share	Thailand	7.2%	7.9%	6.6%	6.9%	1.8%	2.9%	4.3%
MSCI EM	Emerging Markets	12.6%	11.1%	6.9%	4.2%	1.9%	2.3%	1.9%
MSCI AC Asia Ex Japan	Asia Ex Japan	14.4%	12.4%	6.8%	4.2%	2.5%	3.1%	3.7%
Shanghai Composite	China	16.1%	3.7%	0.4%	2.9%	2.8%	-2.1%	2.4%
FTSE Bursa Malaysia KLCI	Malaysia	-3.6%	5.5%	2.0%	0.4%	-1.4%	-1.1%	1.0%
Hang Seng	Hong Kong	35.9%	12.8%	3.3%	-0.3%	-2.6%	-0.9%	1.2%

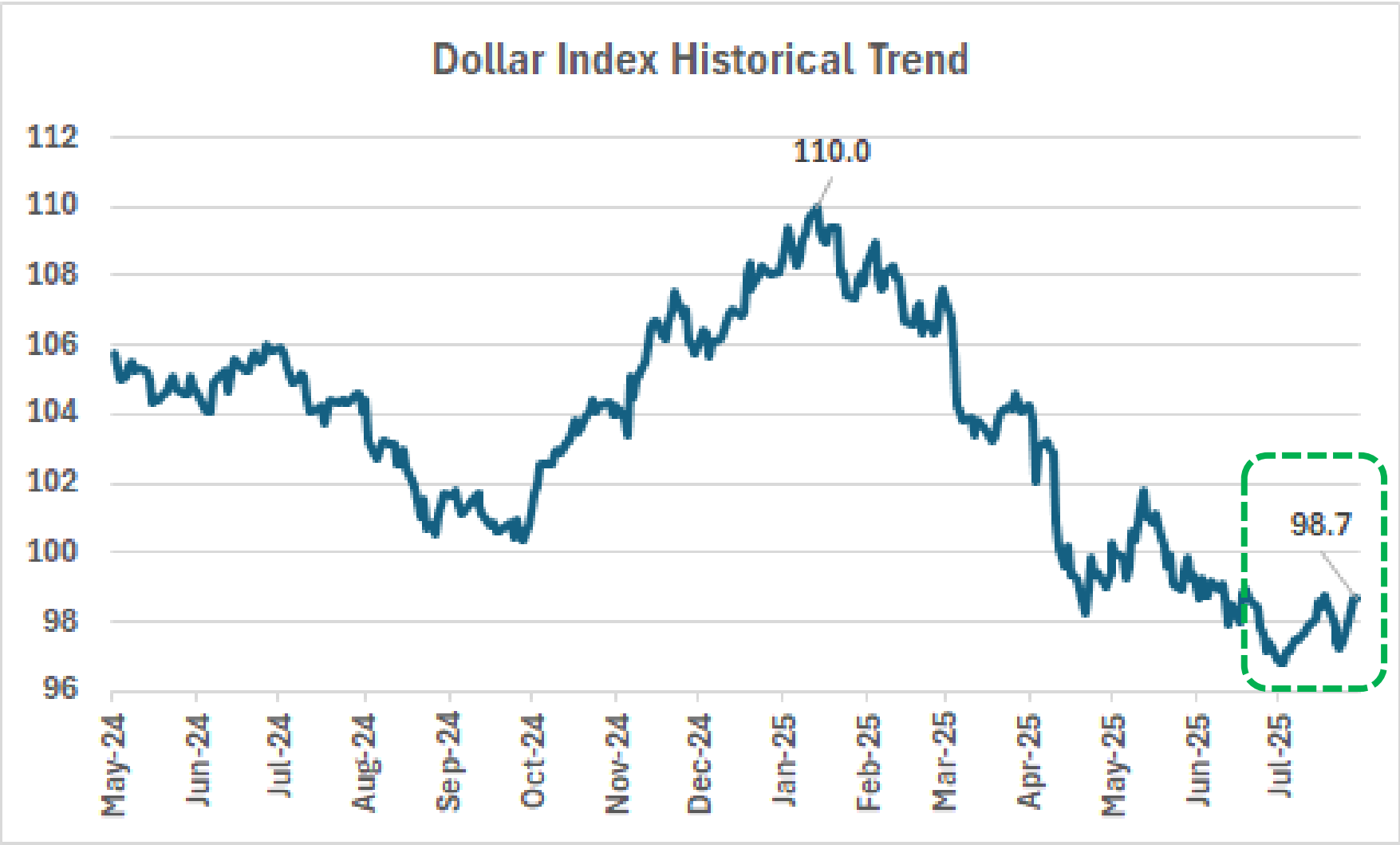
Source : Bloomberg. Returns are in local currency of index, and returns greater than 1 year are CAGR Date Sorted on the basis of 5 Yrs. return in descending order

- 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.



Source: Bloomberg

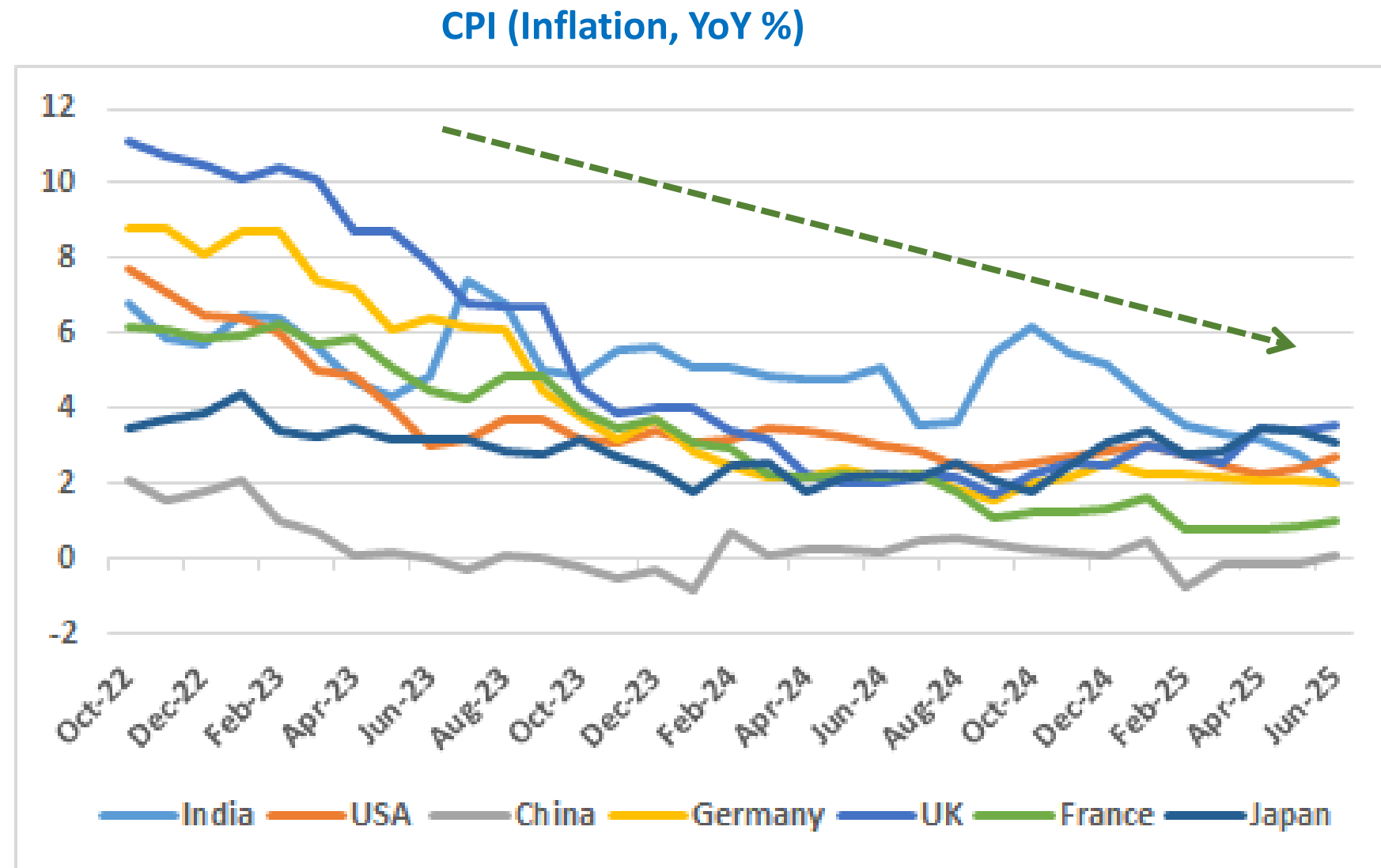
- Continued uncertainty in global trade and expectations of slower growth have led to a moderation in crude oil prices.
- However, Brent crude prices remain volatile due to geopolitical conflicts.
- Sustained lower crude oil prices provide an impetus to the disinflation trend as ~85 -90% of India's crude consumption occurs through imports.



Source: Bloomberg, US Department of Treasury, CEIC

- The U.S. Dollar Index has steadily declined from around 110 in Jan 2025 to 98.7 as on 29 July 2025 (10.3% down from its peak), reflecting sustained weakness.

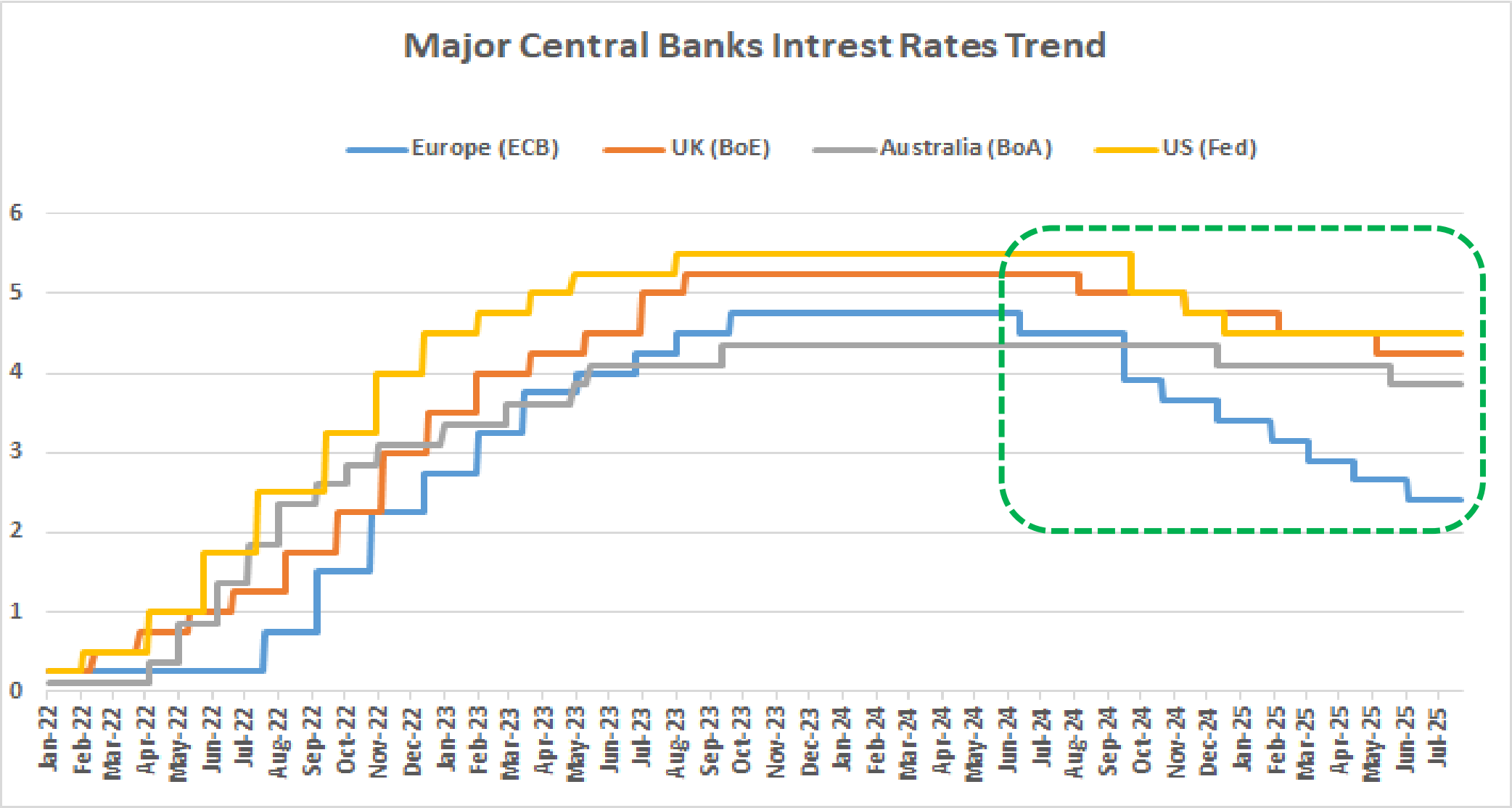
* The Dollar Index (DXY) is a weighted measure of the U.S. dollar's value relative to a basket of major foreign currencies, reflecting its overall strength or weakness.



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.

Central Banks Adopt Wait-and-Watch Approach on Rates



Source: Bloomberg

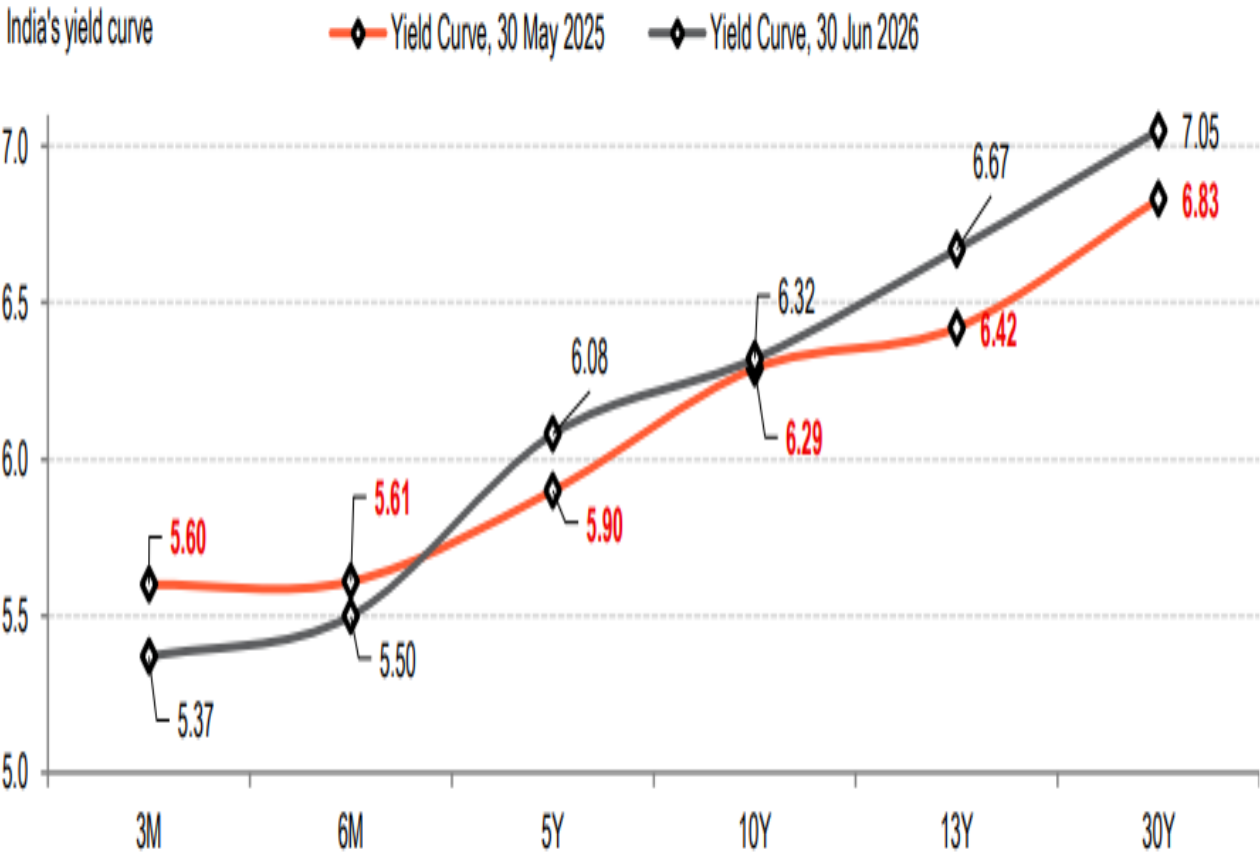
- Central banks globally are signalling caution, awaiting clearer signs of economic slowdown or disinflation before further rate action.

10Y Yields movement globally

Countries	10Y sovereign yield, 30 May 2025	10Y sovereign yield, 30 Jun 2025	Change in 10Y yield, Jun/May, bps
Germany	2.50	2.61	11
India	6.29	6.32	4
Korea	2.77	2.81	4
China	1.71	1.65	-6
Japan	1.50	1.43	-7
UK	4.65	4.49	-16
US	4.40	4.23	-17
Thailand	1.78	1.60	-18
Indonesia	6.84	6.63	-21
Singapore	2.43	2.19	-24

Source: Bloomberg, Bank of Baroda Research

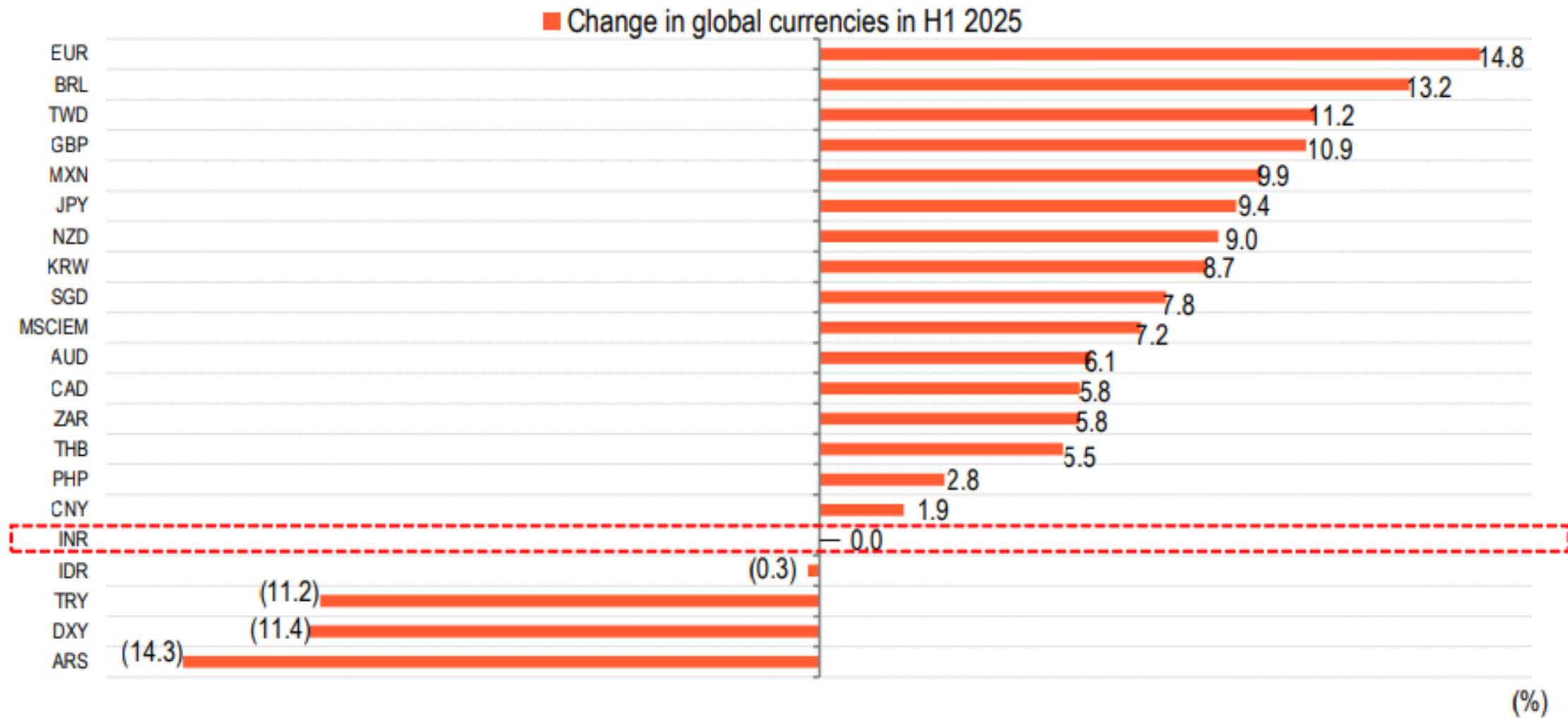
Evolution of India's yield curve



Source: Bloomberg, Bank of Baroda Research

- Global yields showed the impact of risk aversion on the backdrop of geopolitical conflict in the Middle East in Jun'25.
- This kept yields of major AEs such as the US and UK to trade with a softening bias. The 10Y yield of majority of EMs, also showed the dominance of risk off sentiments.
- Domestic 10Y yield showed some correction in Jun'25 after three consecutive months of precipitous fall.

Movement in Global Currencies in H1CY25 vs USD

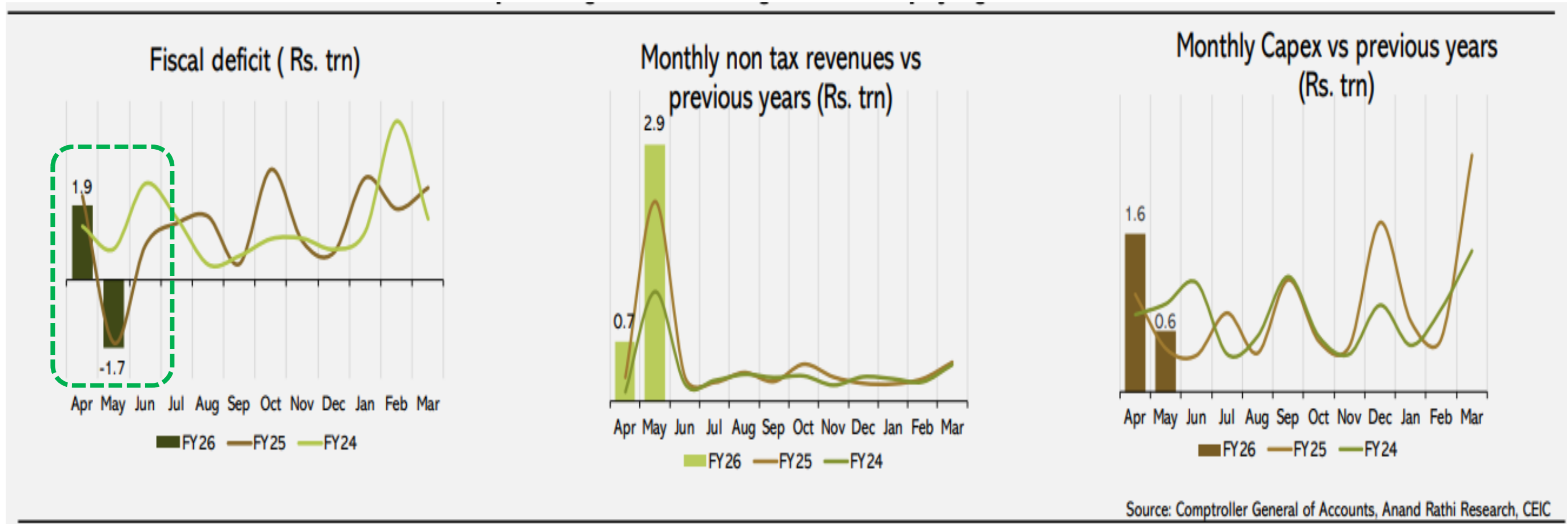


Source: Bloomberg, Bank of Baroda Research | Note: Data as of 30 Jun 2025 | Figures in brackets denote depreciation against the dollar

- In H1 2025 (between Jan and Jun 2025), US dollar weakened considerably as it posted (-) 11.4%. At the behest of a weaker dollar, Euro (EUR), Brazilian Real (BRL), Taiwanese Dollar (TWD) and British Pound (GBP) recorded double-digit appreciation.
- Out of a sample of 20 currencies, 11 noted gains higher than the median level (6.1%).
- H1CY25, rupee's performance was steady (0%), despite FPI outflows of US\$ 7.52bn so far.

Domestic Macro & Monsoon Update

FY2026 Fiscal Deficit – Turns Surplus



- Fiscal balance in May'25 turned into surplus of Rs 1.7 trn compared to deficit of Rs.1.9 trn Apr'25. Deficit for the first two months came at Rs 0.13 trn (0.8% of annual estimates), compared to Rs.0.5 trn (3.1% of estimates) in the corresponding period of last year. Deficit declined on account Rs. 2.7 trn dividend paid by RBI and strong tax collections.
- The deficit in the first two months came significantly lower on account of higher tax collections. While capex moderated in May'25 compared to the previous month, the FYTD capex remain 54% higher compared to last fiscal.
- While the overall annual deficit is likely to be in check, the monthly deficit is likely to increase in upcoming month, with government paying two tranches of devolution of taxes to states.

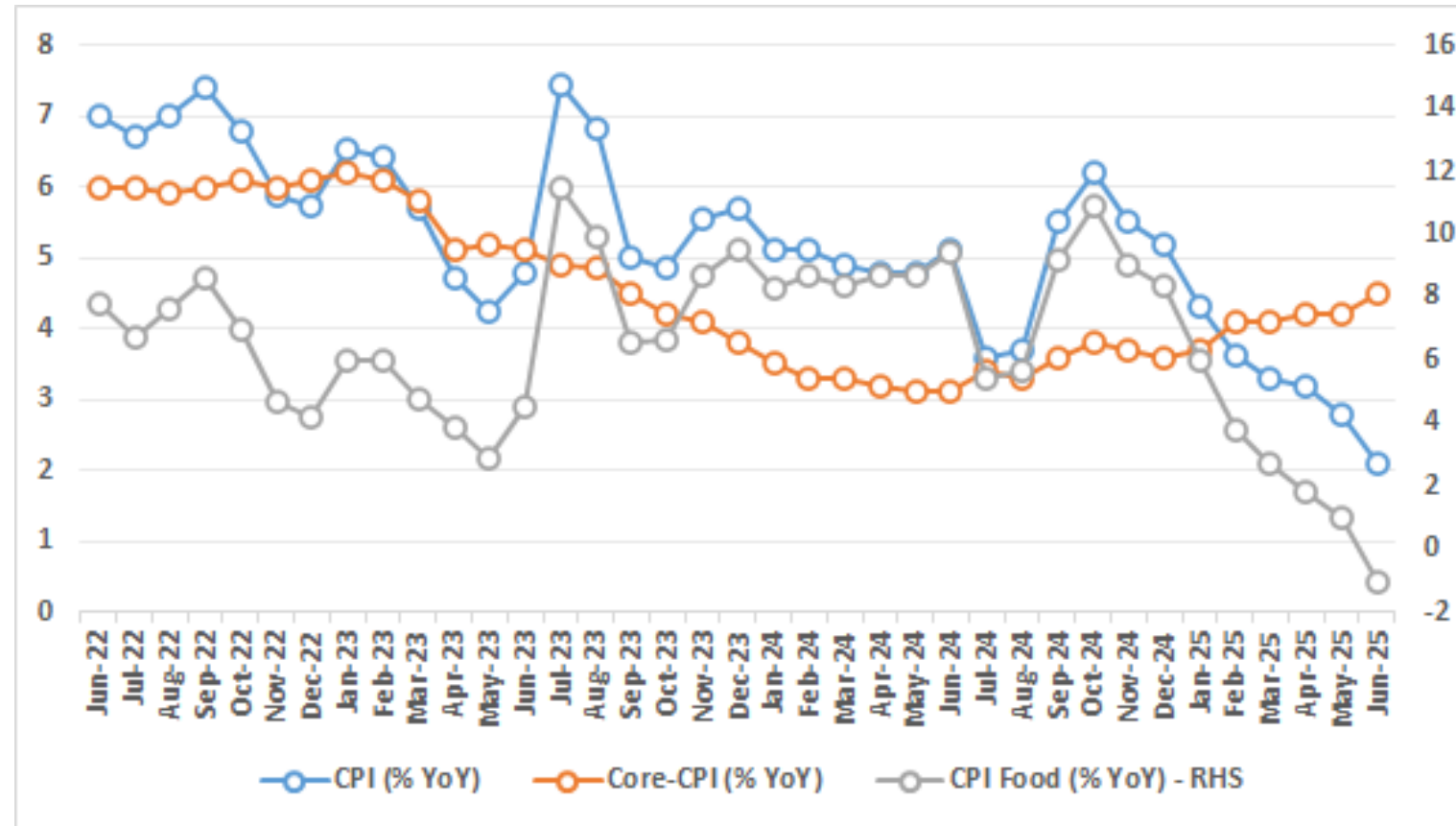
FY2026 Monsoon: Rainfall Momentum Slows, but LTV Stays Resilient



- Till 25'July, cumulative rainfall was 5% above long-term average while weekly rainfall was 10% below long-term average. On a cumulative basis, rainfall was above-normal in north, west, central and south India while below-normal in east India.
- As of 18'July, the total kharif acreage was 4.1% higher than the same period last year.
- Basin-wise reservoir levels has remained in surplus. Overall basins and reservoirs levels were 53% above long-term average for week-ending 24'July.

India's Inflation: Continue To Ease, A 6 year low of 2.1% in June'25

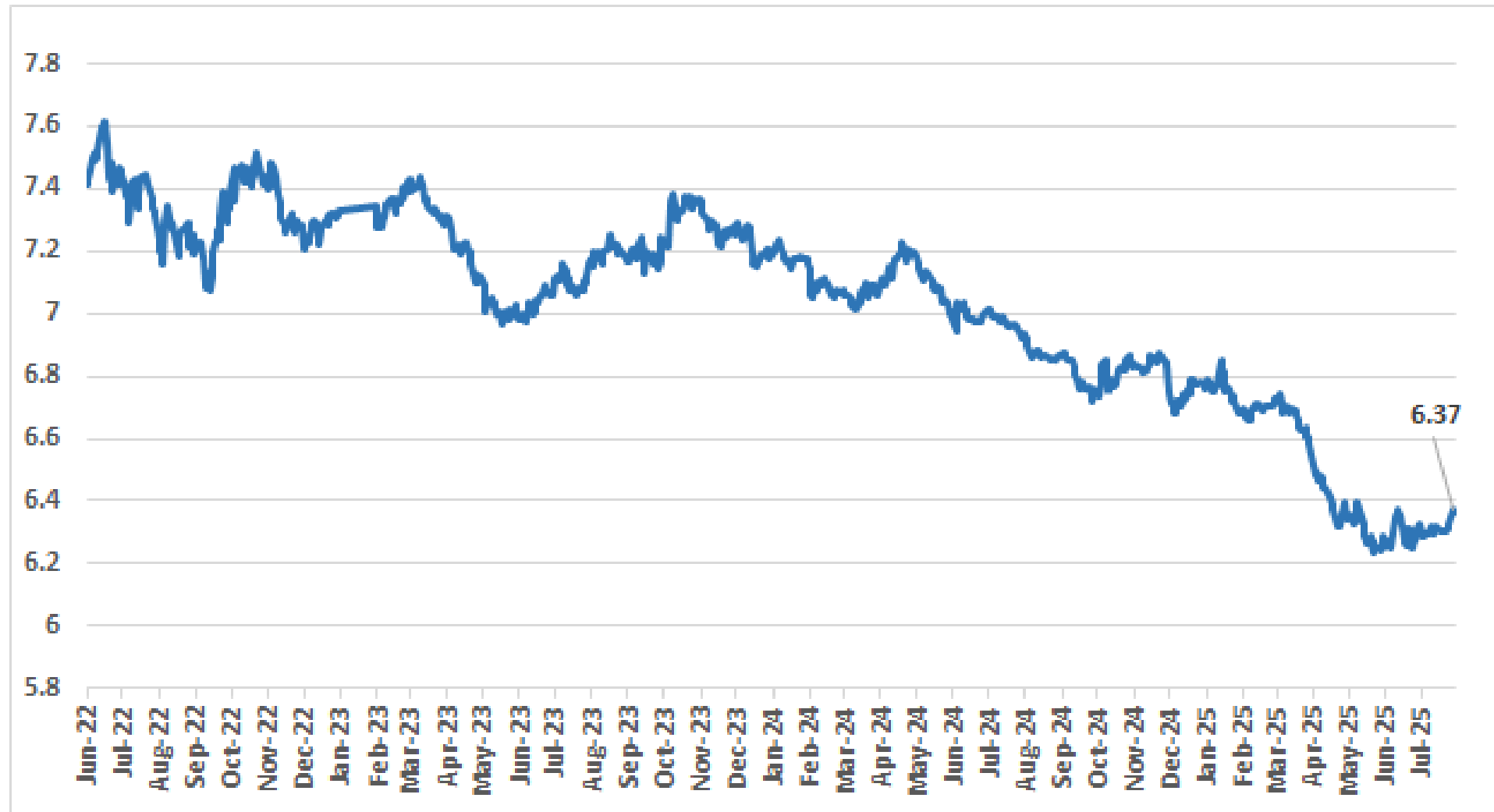
Inflation Trend (in %)



Source: Bloomberg, MOSPI

- Headline inflation continues to trend down to a 6 year low largely led by food and beverage inflation
- Headline stood at ~ 2.1% vs an expectation of ~ 2.3% and previous month number of ~ 2.8%
- Core inflation remained elevated at ~ 4.5% with gold contributing to ~ 40 bps on a YoY basis and ~ 3 bps on an sequential i.e MoM basis

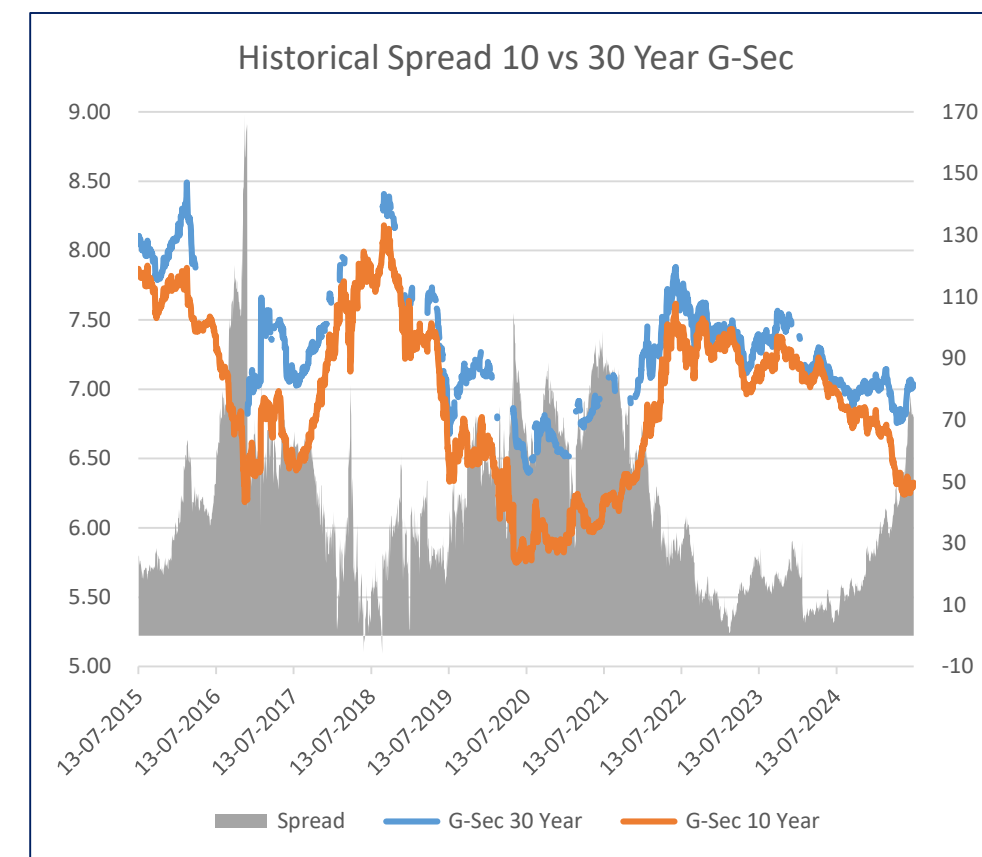
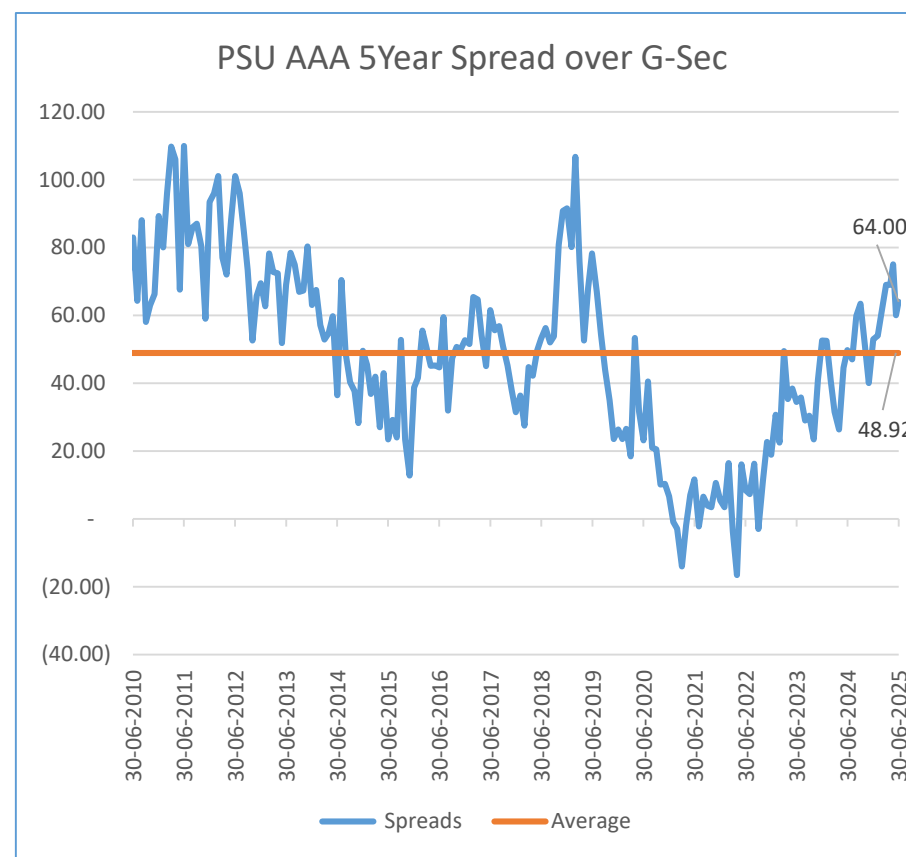
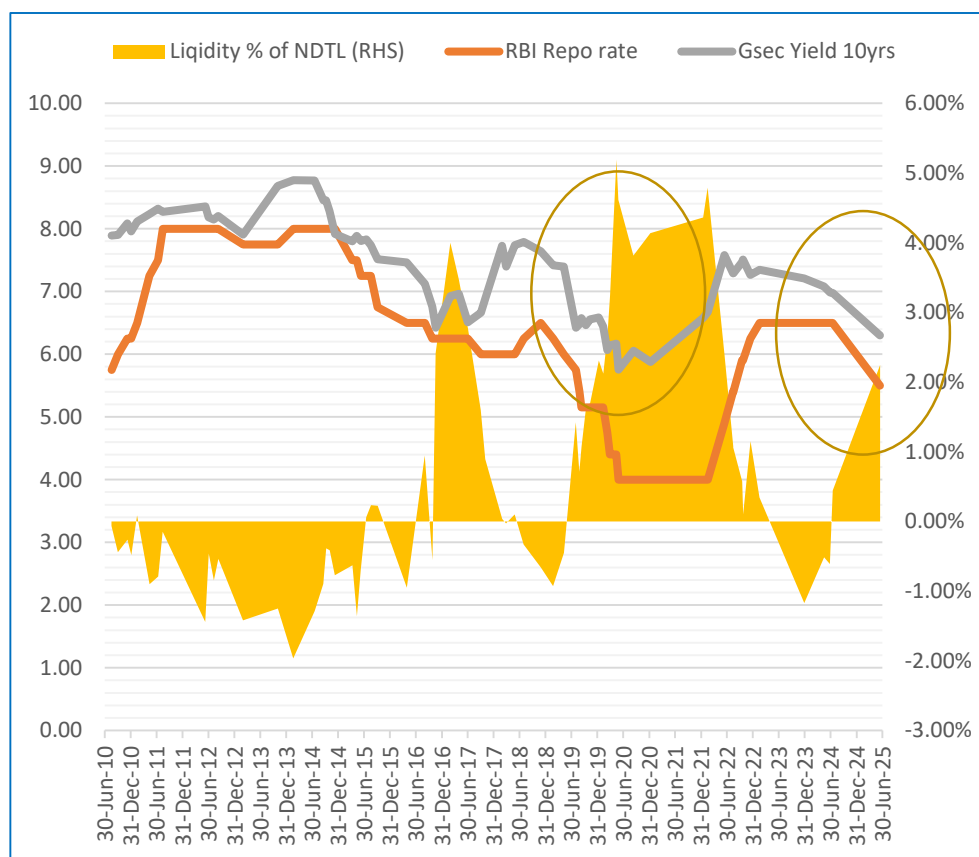
10 Year G-Sec Yield (in %)



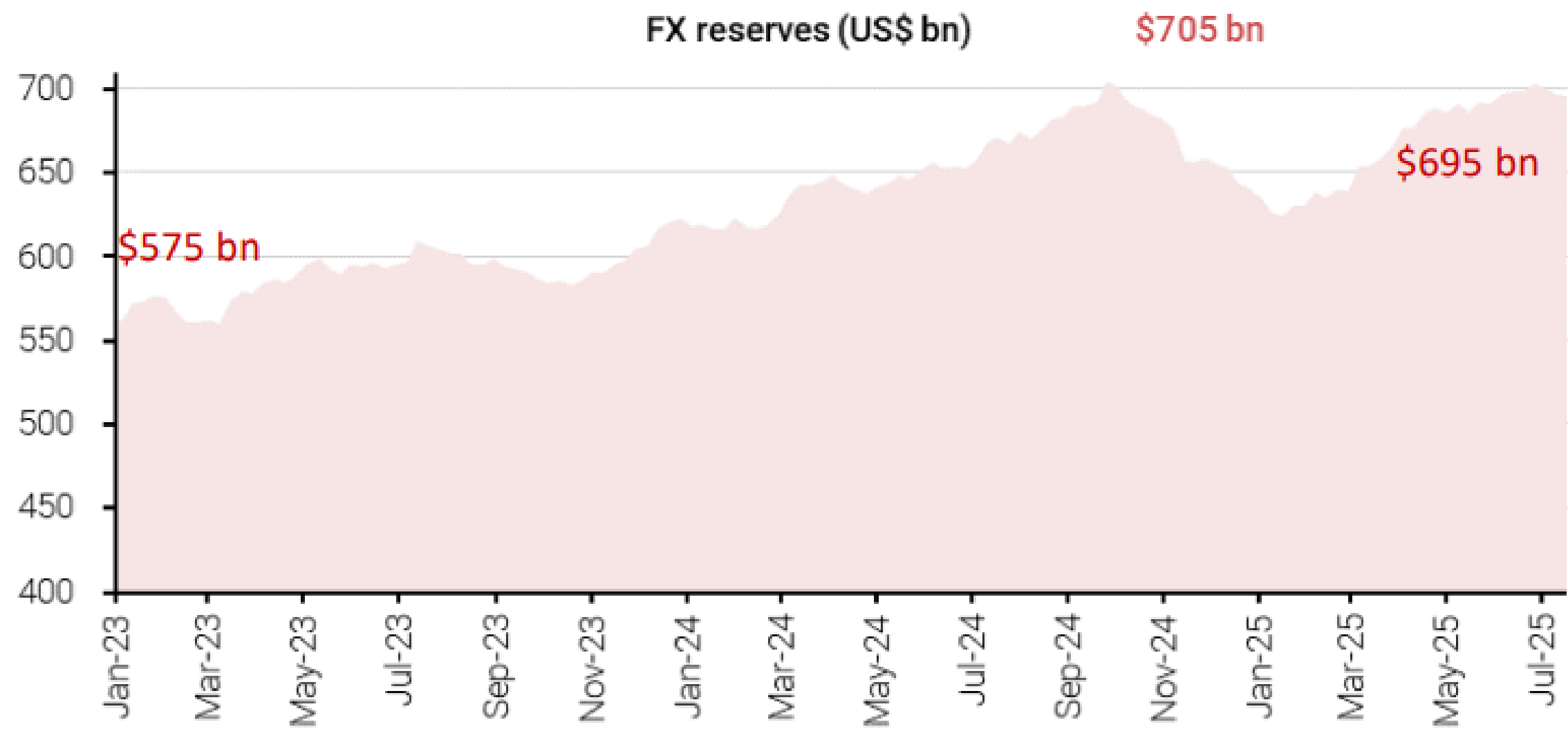
Source: Bloomberg

- 10 Year G-Sec yield traded in the range of 6.25-6.37% in Jun'25 compared to 6.24-6.40% in May'25. The monthly volatility also rose to 0.53 in Jun'25 from 0.43 in May'25. This is despite RBI's sharp pace of rate cut and ample liquidity measures in the current cycle.
- The change in stance to neutral has built up hopes that on rate front, there might be a data dependent pause.

Fixed Income Market Outlook



- Banking system liquidity is in surplus to the tune of 2.3% of NDTL and expected to be positive ~ 2% of NTDL by year end (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 64bps higher than its long-term average of 49bps
- Long end G-sec spreads (10 years vs 30 year) is trading at 74bps above the historical average of last 10 years of 42bps

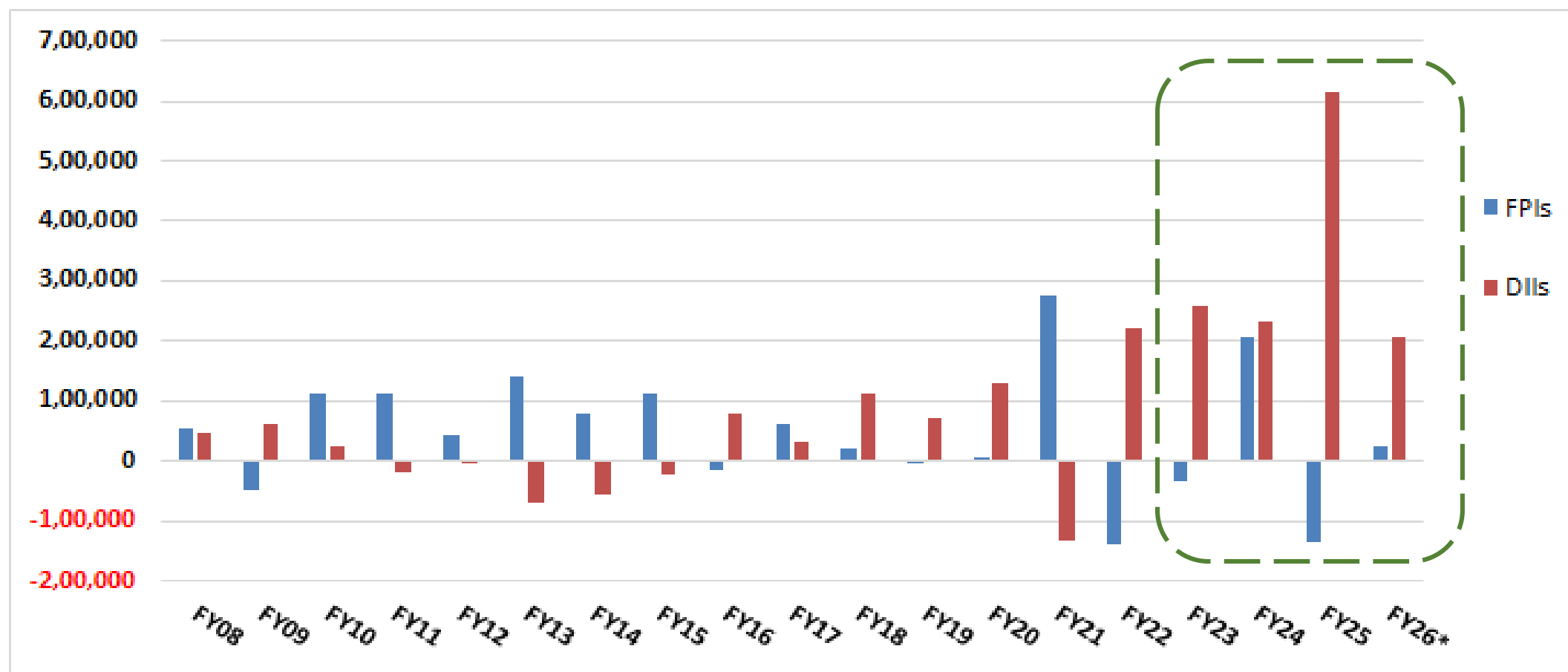


Source: Kotak Institutional Research, RBI, Bloomberg

- India’s forex reserve level remains high and comfortable (~12 months of import cover); as of 18 July 2025, it stands at \$695 billion, close to its peak of ~\$705 billion.

Market Flows

FPI Flows Have Turned Positive In FY26, DII Flows Remains Robust

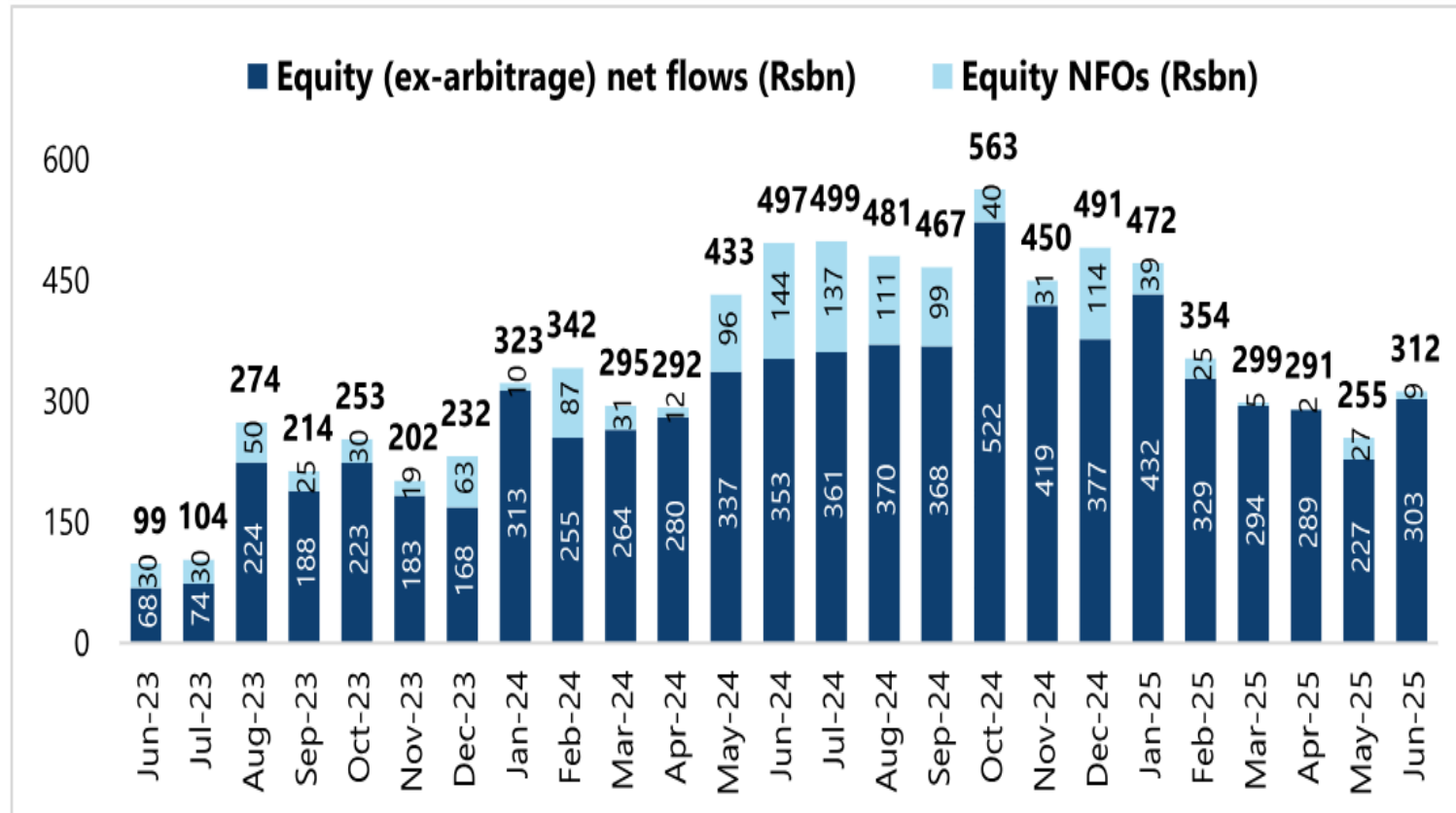


Source: NSDL, BALIC Research, * As on 24 July 2025

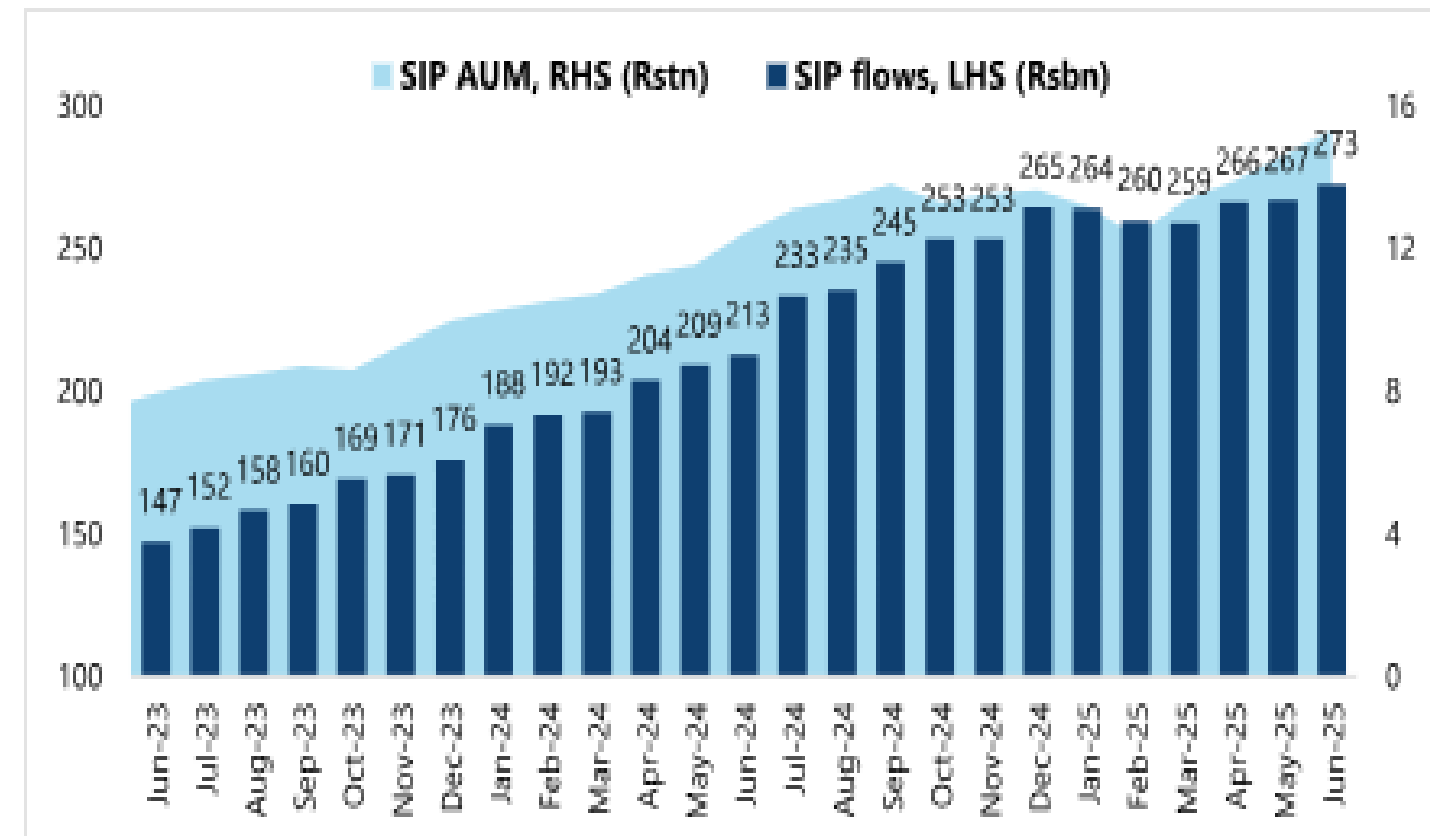
- After being net sellers in FY25, so far in FY26 (up to 24 July 2025), both FPI and DII flows have been positive. FPIs have recorded net inflows of Rs. 23,550 crore.
- Meanwhile, DIIs have continued their positive momentum, posting inflows of Rs. 2,06,231 crore during the same period — reflecting strong domestic investor confidence.

MF Flows – Equity Flows Rebound; SIPs Fare Better

Flows in Equity mutual fund schemes



Gross SIP flows & AUM

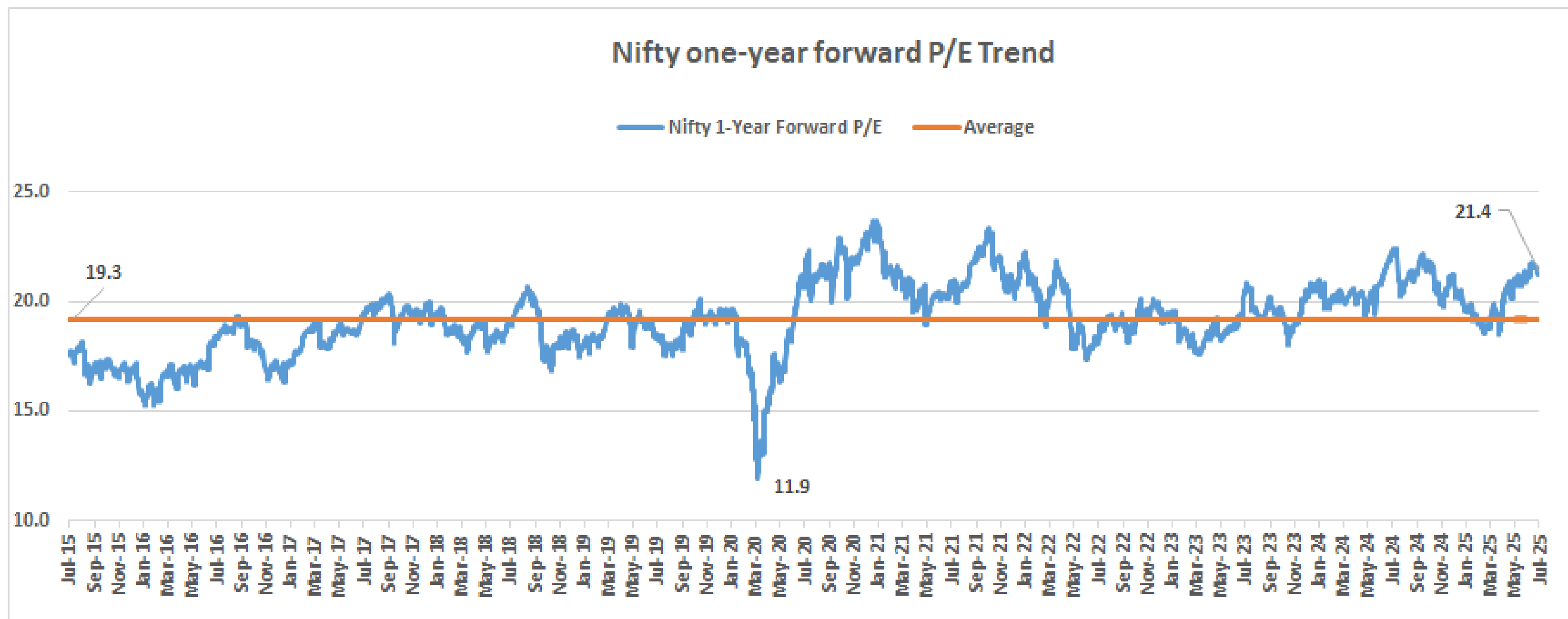


Source: AMFI, Jefferies

- In Jun-25, net equity flows (ex. arb) were up 22% MoM at Rs312bn (~0.8% of op. AUM), while SIP flows stood at Rs273bn (+28% YoY/+2% MoM).
- MF AUM was up 3% MoM (+22% YoY) to Rs74tn, with equity AUM up 22% YoY, 14% QoQ & 4% MoM.
- Net equity flows in June-25 sharply rebounded, 33% up MoM, however, negative on YoY basis.

Market Valuations

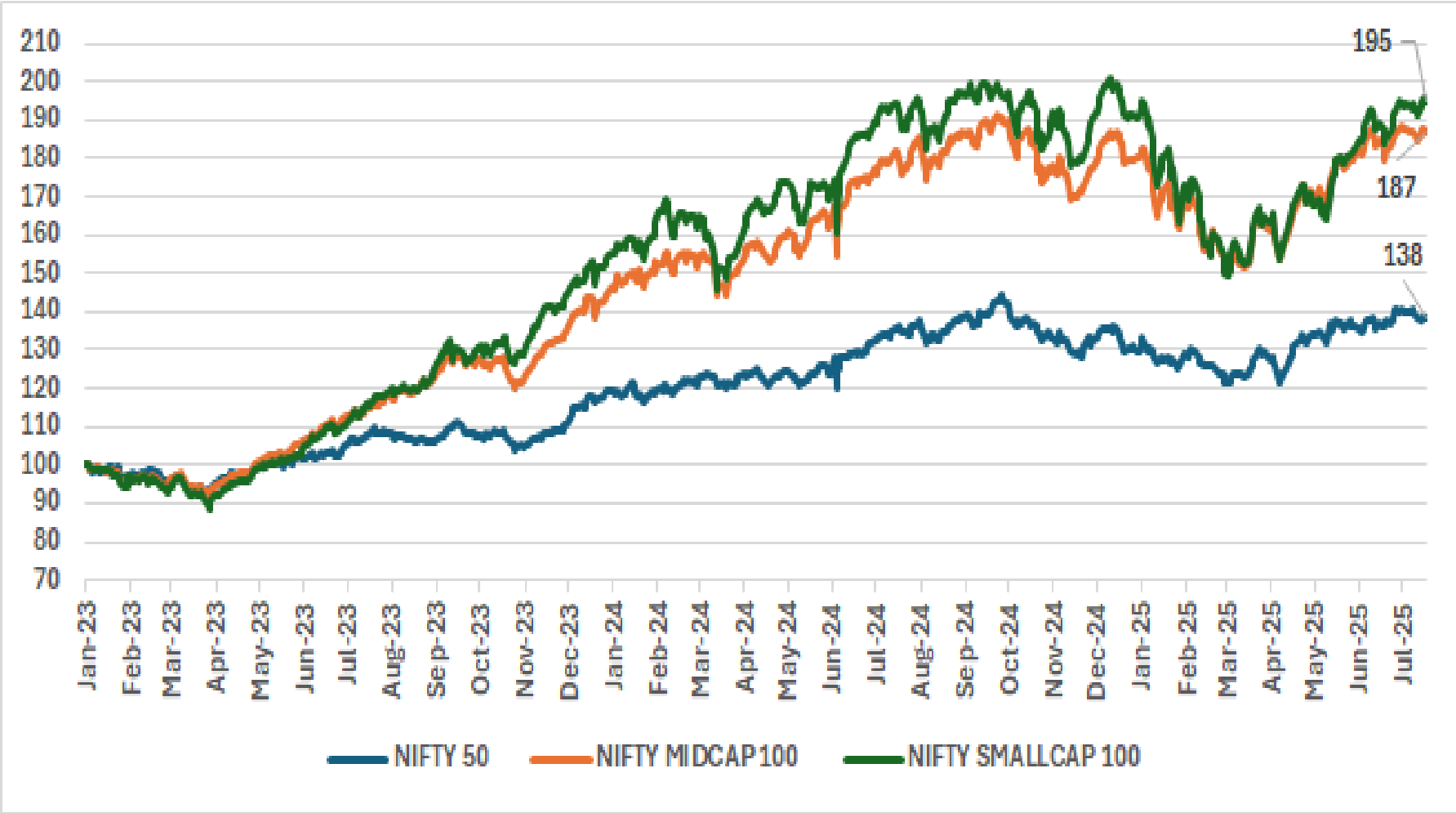
Valuations Stay Higher Amid Market Rally



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 19.3x.

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



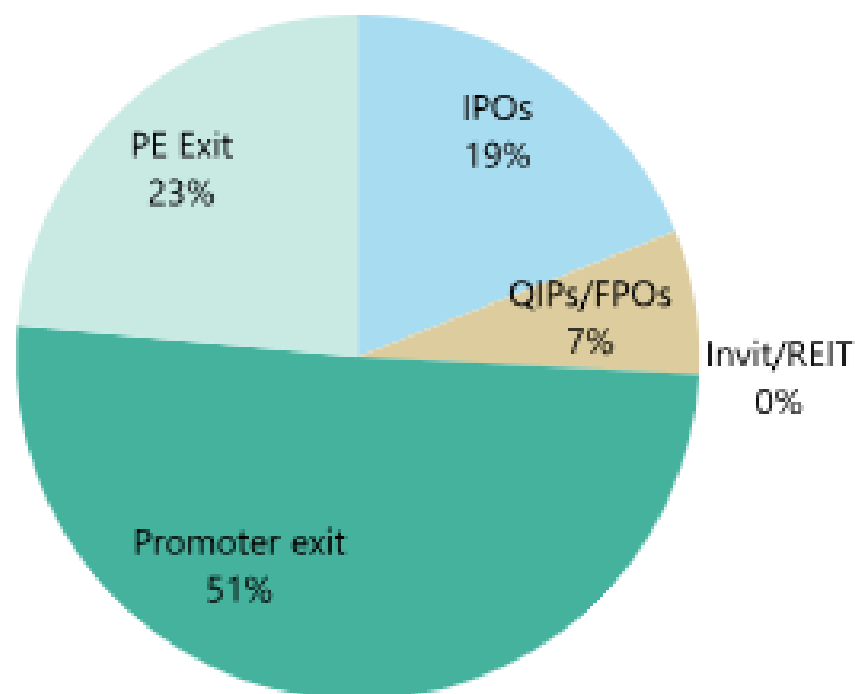
Source: Bloomberg, NSE, BALIC Research, As on 17th July 2025

Index	P/E (Price/Earnings Per Share)
Nifty 50	22.97
Nifty Mid Cap 100	33.66
Nifty Small Cap 100	33.69

Source: NSE Factsheet as on 30-June-2025

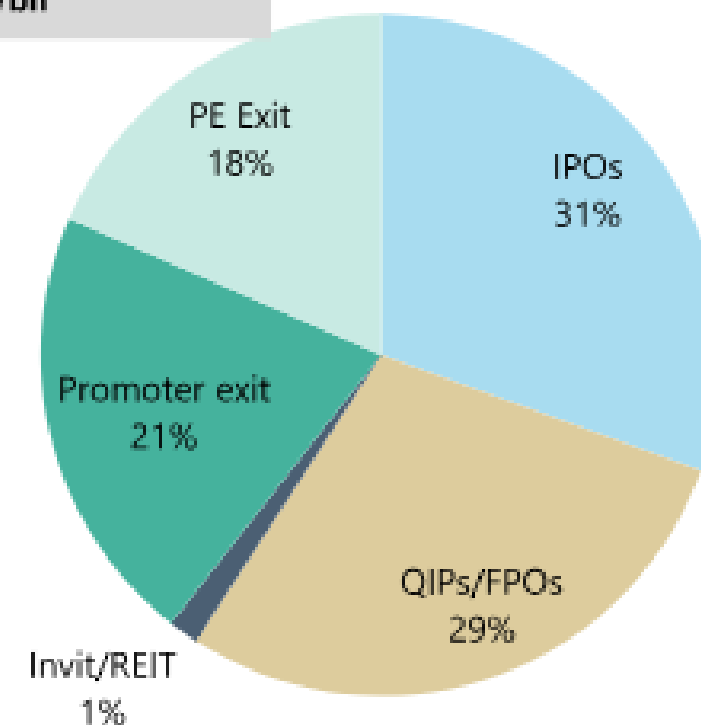
- Mid & Small Cap Indices continue to outperform Nifty 50 by a significant margin since Jan 2023 (>2 Years). During this period, Mid & Small Caps are up 87% & 95 %, respectively, compared to a 38% return for Nifty50.
- Mid & Small Cap (on a Historical P/E basis) are still trading at relatively high valuations, with further room for correction.

Total Equity supply in May-Jun25TD:
US\$ 17bn



Source: Bloomberg, NSE, BSE, Jefferies

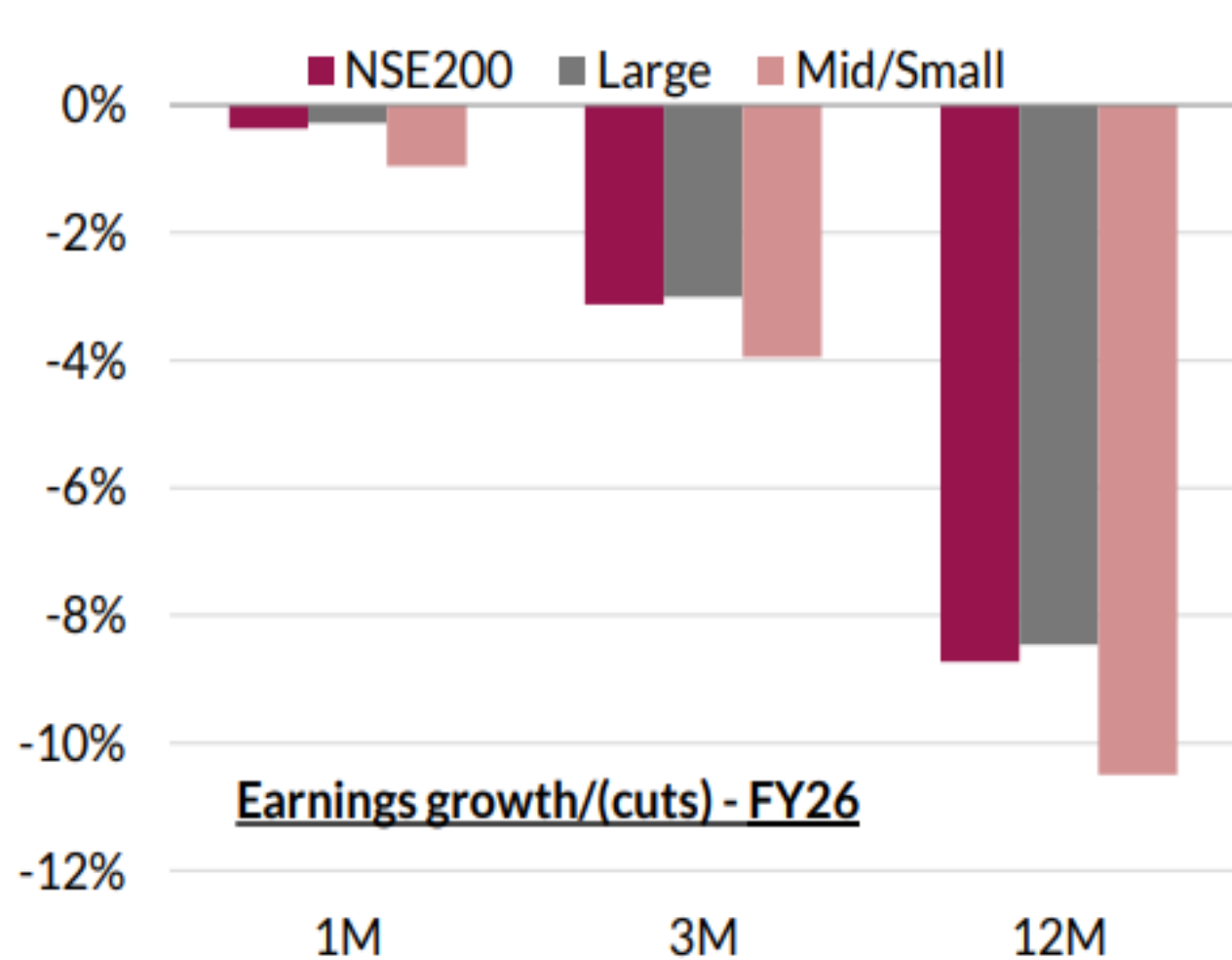
Total Equity supply in FY25:
US\$ 67bn



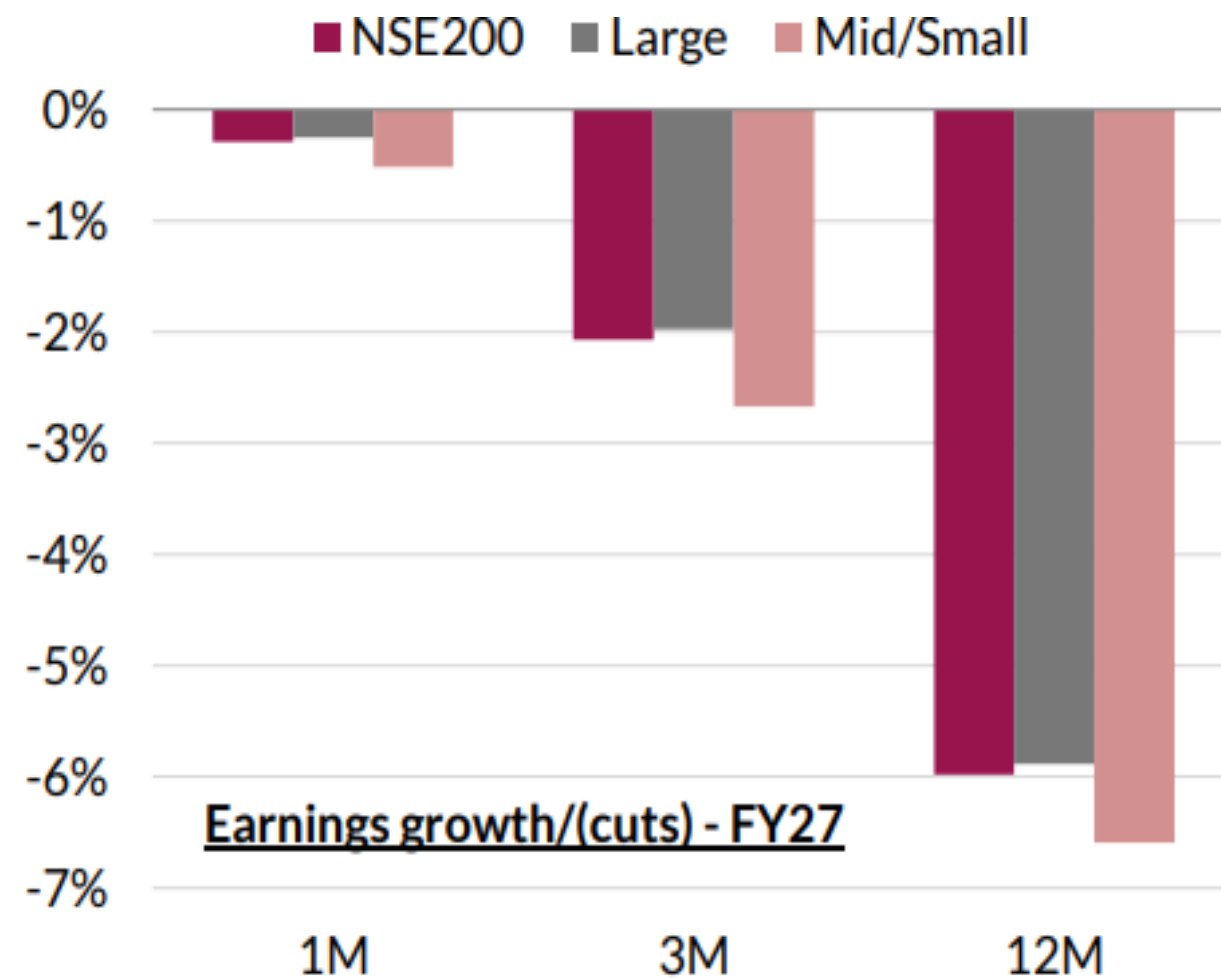
Source: Bloomberg, NSE, BSE, Jefferies

- Sharp market rebound from Mar25 lows has triggered a strong equity supply. 75% driven by promoter/PE exits, May & June equity supply was US\$17bn+.
- While the domestic flows declined, improved foreign flows have helped. With the supply pipeline remaining strong & valuations elevated, we expect the broader index to move sideways.

Earnings Growth/(Cuts) - FY26 vs FY27



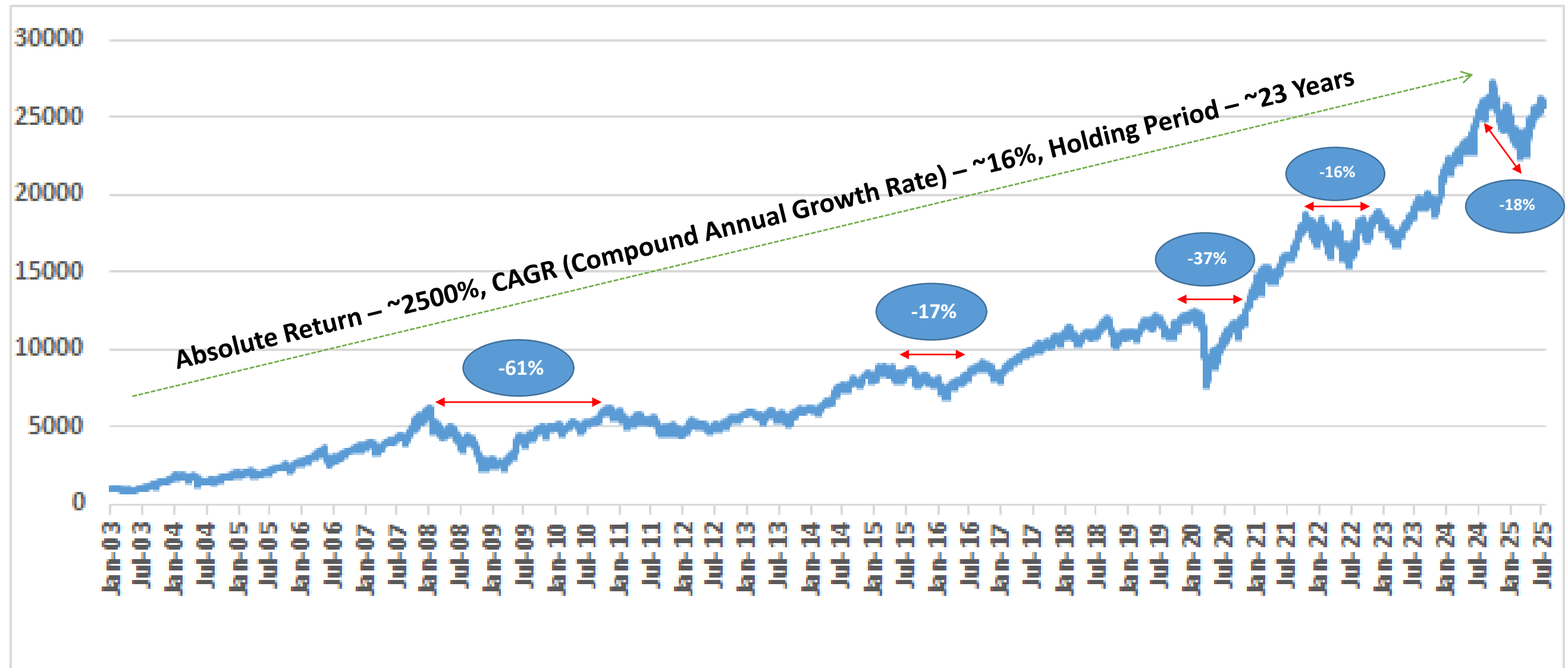
Source: Refinitiv, Axis Capital



Source: Refinitiv, Axis Capital

- For FY26, Mid-caps has seen higher cuts vs large caps.
- Similar pattern is observed in FY27 EPS, with shallower cuts.

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



Source: NSE Indices, BALIC Research, As on 17-July-2025

- Equities continue to outperform other asset classes over the long term.
- Despite short-term volatility, the Nifty 100 Index has consistently recovered from major downturns, highlighting the potential of long-term investing.

Market Outlook & View

- Despite the elevated uncertainty emanating from US tariffs and geopolitical events equity markets delivered solid returns in the June quarter.
- Nifty50 was up 8.5%, while midcap and smallcap indices registered even stronger gains of 15.6% & 18.5%, respectively.
- With this performance, Midcap and smallcap indices have largely reversed the underperformance (vs Nifty50) during the Oct-Mar period.
- In terms of sectors, rate sensitives like Real Estate (+15.9%), Banks (+11%) and Autos (+12%) outperformed, whereas FMCG (+2.4%), Pharma (+4.3%) and IT (+5.6%) were the key underperformers.

Global macro

- Similar trends were observed in global markets as well with equities recovering most of the losses seen during early April despite lingering volatility pertaining to US tariffs and an escalation in geopolitical conflicts (especially in the Middle East).
- Most economists, experts have revised down their growth estimates for global trade and GDP growth, however, we are yet to see any meaningful impact of US tariffs on any of the key high frequency indicators released so far.
- Nonetheless, at the aggregate level, tariffs on US exports have definitely increased compared to March levels and the risk of its negative impact on global growth and inflation continues to linger on.
- US Federal reserve too refrained from cutting rates further in its monetary policy meetings in May and June as it awaits the full impact of tariffs to reflect on growth, inflation and employment.

Domestic macro

- India's macro situation continued to improve during the quarter with stronger than expected GDP growth and multi-year low headline inflation.
- India's GDP growth of 7.4% in Q4FY25 was significantly ahead of estimates driven by a surge in net indirect tax collections. For the full year, FY25, GDP growth stood at 6.5% similar to the growth seen in FY24.
- Headline CPI inflation for the month of May stood at 2.82% which is the lowest print since Feb-2019. Last three CPI readings have now averaged 3.1% which is at the lower end of RBI's inflation target.

- Bolstered by the continued benign inflation, RBI frontloaded its rate cuts in its June monetary policy by cutting Repo rates by 50bps and CRR by 100bps. These cuts are expected to provide the much-needed support to the nascent growth recovery in the coming quarters.
- There was a Current account surplus of 1.3% of the GDP in Q4FY25 which helped contain the CAD for FY25 to 0.6%, better than the expectations of a 1% CAD. The surplus in Q4 was supported by higher net invisibles receipts. Latest FX reserves stand at \$703bn vs \$676bn in March.
- With the onset of the new financial year, taxpayers have started getting the benefit of personal income tax rationalization announced in the Feb budget. This along with the implementation of the 8th Pay commission is expected to boost personal consumption going forward.

Indian markets

- Equity markets seems to have shrugged off the negativity created by the announcement of US tariffs, though the full impact may still take some time to play out in terms of slowing growth.
- Markets have also survived the war scare in May with India undertaking 'Operation Sindoor' in response to the terror attacks in Pahalgam.
- With macro events behind us, focus has again shifted back to corporate earnings.
- Q1FY26 is expected to be another quarter of single-digit earnings growth for Nifty50 companies, however, there are expectations of a substantial recovery from Q2 onwards when the full impact of all the fiscal and monetary measures start to play out.
- Recent flows have been positive both from FPIs and DIIs, however, it is getting partially absorbed by a revival in primary market activity (IPO, QIP, promoter / PE sales etc.)
- Nifty50 is currently trading at ~21x one-year forward earnings which is slightly higher than the historical average.
- We believe markets may continue to trade at somewhat elevated multiples in the near term, in anticipation of earnings recover and supported by retail and institutional flows.
- Hence, our outlook for equities is moderately positive at this juncture with a preference for large caps. Another round of risk-off driven by global uncertainties and exuberant activity in the primary markets are the keys risks to our view.

- **Domestic Inflation: Subdued-** RBI revised downward inflation projection by 30bps to 3.7% for FY26.
- **Monsoon:** Monsoon has been above long-term average by 12% and progressing well. Keeping inflation under check.
- **Banking system Liquidity:** Durable Surplus in the system is to the tune of ~ Rs 4 trn on account of various positive measures by RBI.
- **RBI MPC-**
 - RBI has frontloaded rate cuts, total Repo rate cut of 100 bps since Jan 25
 - 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
- **Rates outlook :** We expect 10-year G-Sec in the range of 6.20% to 6.40% with further steepening bias
- **Positions:** Based on the above outlook, we continue to prefer 3-year to 5-year corporate bond segment.
- **Key risks :** Growth slowdown, higher commodities price and geopolitical uncertainties.

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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