
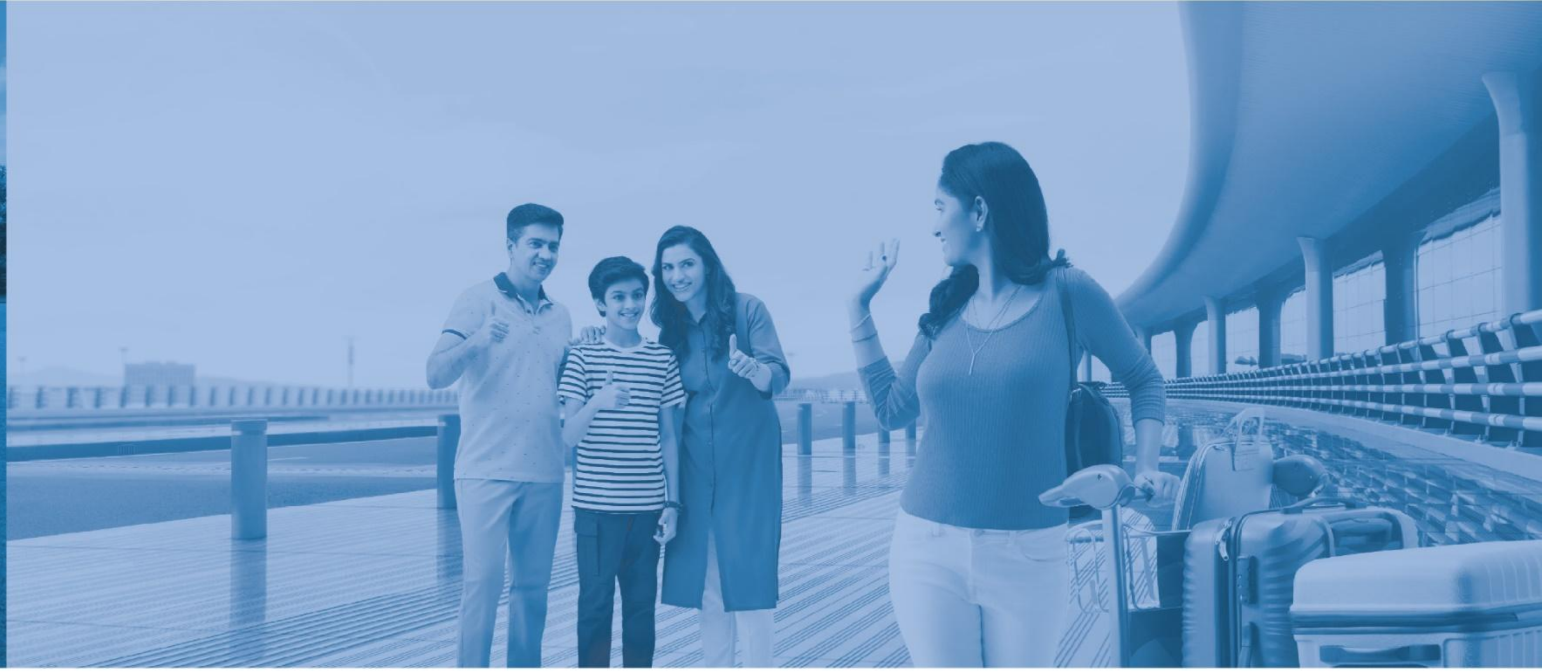

BALIC – Market Insights
Aug 2025

LIFE GOALS. DONE.


Key Themes Covered

LIFE GOALS. DONE.

- Global Macros & Markets
- Domestic Macro & Monsoon Update
- RBI Monetary Policy
- Flows
- Valuations
- Market Outlook & View

Global Macros & Markets

US Tariffs on India : Key Highlights & Implications (as of 6th Aug Announcement) (1/2)

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- On 31st July, the U.S. has initially announced a 25% tariff on Indian exports. However, just 6 days later on 6th Aug, U.S. imposes an additional 25% tariff (cumulatively 50% now). An additional bilateral tariff of 25% on India as penalty for importing crude oil from Russia.
- Effective August 27th, the cumulative bilateral tariff on India will rise to 50%, which is currently the highest globally (along with Brazil). Bilateral tariffs on key Asian countries range between 15% (Japan & South Korea) to 30% (China), putting India in relatively adverse position.
- India's exposure to US tariffs remains relatively moderate with exports to US accounting for 2% of GDP. As a % of total exports India's export to US account for 20% share.
- Compared to other Asian countries, India is relatively insulated from global trade volatilities as it is a domestic demand driven economy and has an overall trade deficit.
- Key Indian exports to the U.S. include gems & jewellery, pharmaceuticals, cotton textiles, mobile phones, refined petroleum products, auto components and machinery.
- If U.S. inflation rises due to tariffs on global imports, it could slow U.S. demand and hurt India's export volumes. This would further pressure India's macroeconomic outlook, which is already facing weak consumption and capex activity.
- The near-term risk lies in foreign investor outflows (FII) and INR depreciation until there is more clarity.

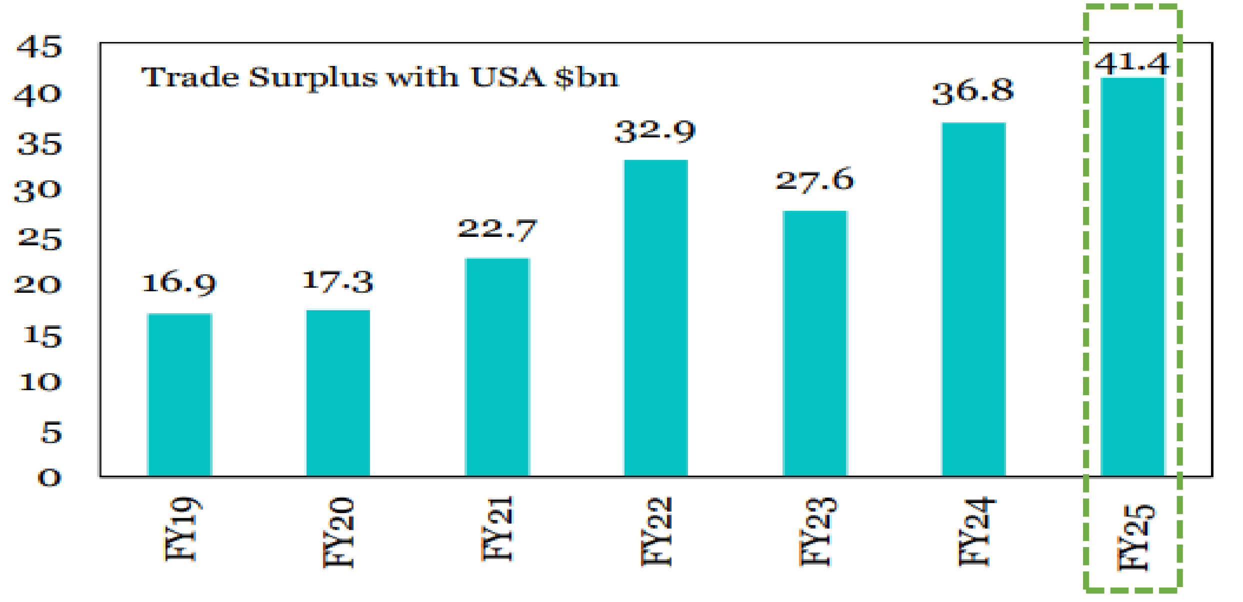
U.S. Tariff on India : - India Business With U.S. (2/2)

India's trade with the US over the fiscal years

Year	Export to USA $bn	Imports from USA $bn	Trade Surplus with USA $bn
FY19	52.5	35.6	16.9
FY20	53.1	35.7	17.3
FY21	51.5	28.8	22.7
FY22	76.2	43.3	32.9
FY23	78.4	50.8	27.6
FY24	77.5	40.8	36.8
FY25	86.7	45.3	41.4

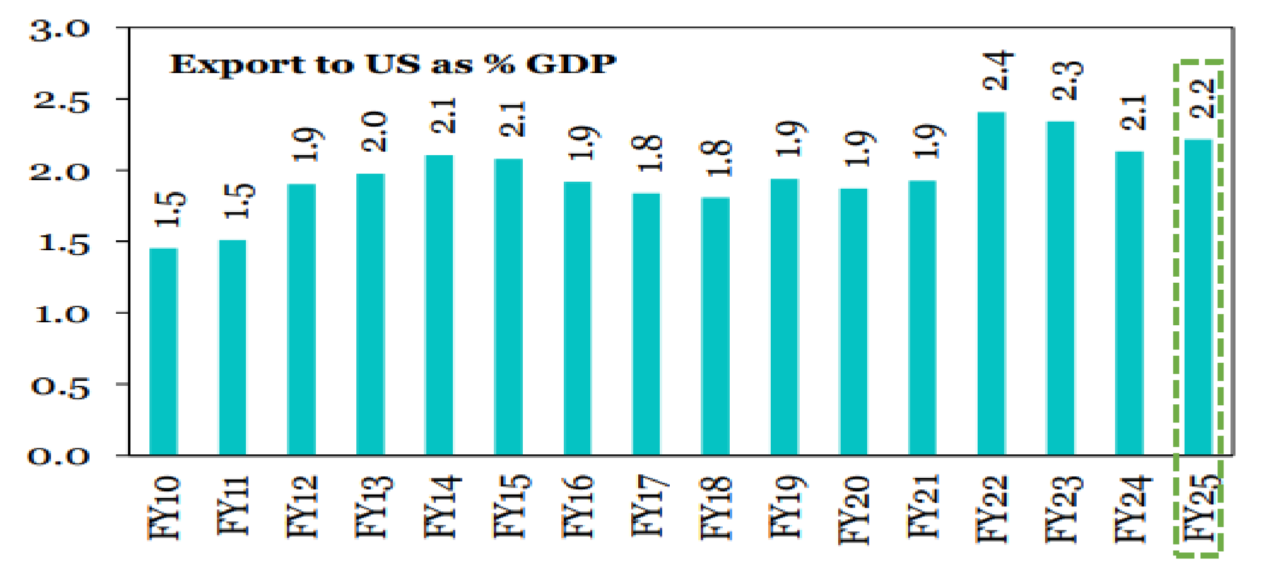
Source: B&K Research

Trade surplus with USA (US$ bn)



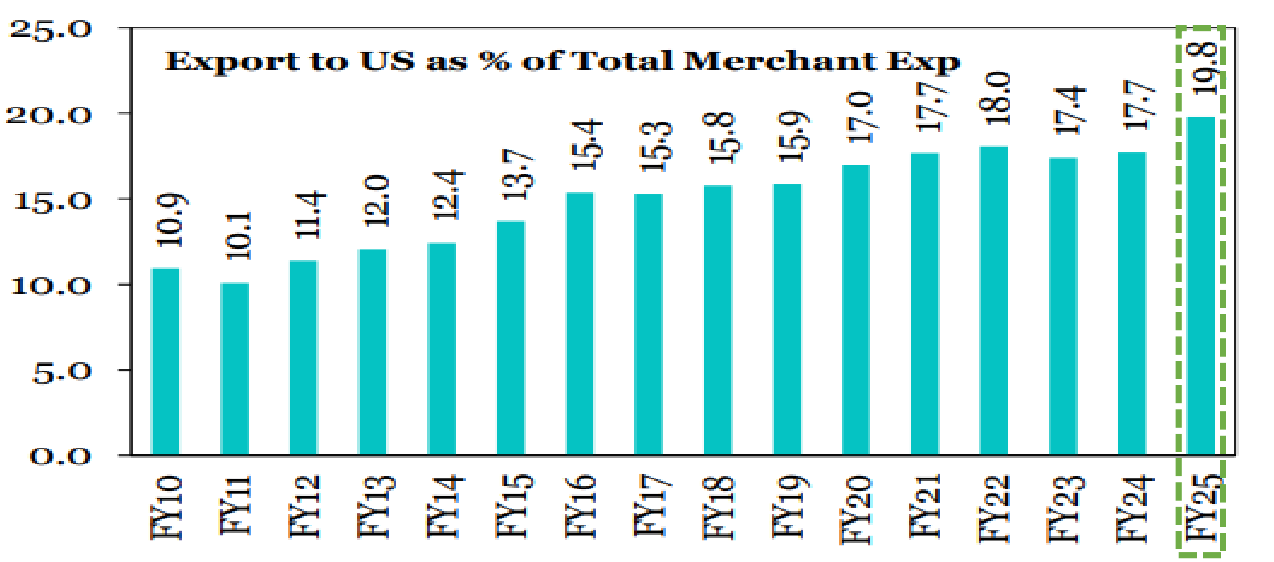
Source: B&K Research

Export to US as % GDP



Source: B&K Research

Export to US as % of Total Merchant Exp



Source: B&K Research

India to remain the fastest growing economy

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Overview of the World Economic Outlook Projections YoY

	2023	2024	Projections 2025	Projections 2026
World Output	**3.5**	**3.3**	**3.0**	**3.1**
Advanced Economies	**1.8**	**1.8**	**1.5**	**1.6**
United States	2.9	2.8	1.9	2.0
Euro Area	0.5	0.9	1.0	1.2
Germany	–0.3	–0.2	0.1	0.9
France	1.6	1.1	0.6	1.0
Italy	0.7	0.7	0.5	0.8
Spain	2.7	3.2	2.5	1.8
Japan	1.4	0.2	0.7	0.5
United Kingdom	0.4	1.1	1.2	1.4
Canada	1.5	1.6	1.6	1.9
Other Advanced Economies 3/	1.9	2.2	1.6	2.1
Emerging Market and Developing Economies	**4.7**	**4.3**	**4.1**	**4.0**
Emerging and Developing Asia	6.1	5.3	5.1	4.7
China	5.4	5.0	4.8	4.2
India 4/	9.2	6.5	6.4	6.4
Emerging and Developing Europe	3.6	3.5	1.8	2.2
Russia	4.1	4.3	0.9	1.0
Latin America and the Caribbean	2.4	2.4	2.2	2.4
Brazil	3.2	3.4	2.3	2.1
Mexico	3.4	1.4	0.2	1.4
Middle East and Central Asia	2.4	2.4	3.4	3.5
Saudi Arabia	0.5	2.0	3.6	3.9
Sub-Saharan Africa	3.6	4.0	4.0	4.3
Nigeria	2.9	3.4	3.4	3.2
South Africa	0.8	0.5	1.0	1.3

- Global GDP growth is projected to slow from 3% in 2025 to 3.1% in 2026.
- The U.S. GDP growth is projected at 1.9% in CY25, and 2% in CY26.
- China’s economic growth is expected to remain within the 4.2–4.8% range in CY25 & CY26.
- **India is projected to have the highest growth among major global economies, with GDP expanding to 6.4% during FY26 & FY27.**

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

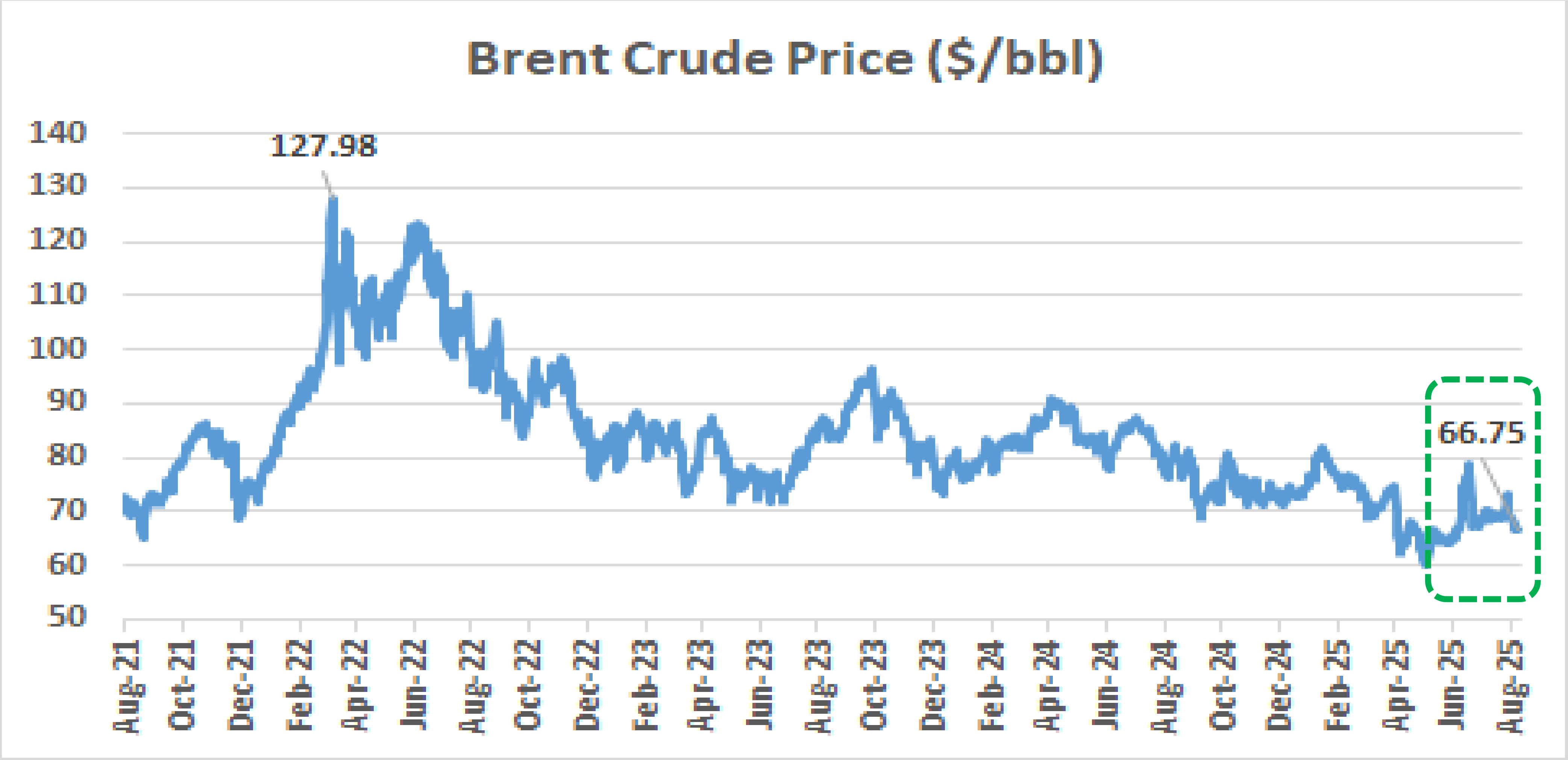
Source: IMF, World Economic Outlook, July 2025

Indian Equity Market Outperforms

Performance as on 31st July 2025								
Index Name	**Country / Region**	**1 Yr**	**2 Yrs**	**3 Yrs**	**5 Yrs**	**7 Yrs**	**10 Yrs**	**15 Yrs.**
Nifty 50	**India**	**-0.7%**	**12.0%**	**13.0%**	**17.5%**	**11.8%**	**11.2%**	**10.7%**
FSE DAX TR	Germany	30.0%	20.9%	21.2%	14.3%	9.4%	7.8%	9.5%
S&P 500	United States	14.8%	17.5%	15.3%	14.1%	12.3%	11.7%	12.4%
Nikkei 225 Average	Japan	5.0%	11.3%	13.8%	13.6%	8.9%	7.1%	10.2%
TSEC TAIEX	Taiwan	6.1%	17.2%	16.2%	13.2%	11.4%	10.5%	7.7%
MSCI World	World	14.1%	15.3%	14.0%	12.1%	9.5%	8.7%	9.0%
FTSE/SGX STI	Singapore	20.8%	11.2%	9.1%	10.5%	3.3%	2.7%	2.3%
CAC 40	France	3.2%	1.8%	6.4%	10.2%	5.0%	4.3%	5.2%
FTSE 100	United Kingdom	9.1%	8.9%	7.1%	9.1%	2.4%	3.1%	3.7%
FTSE SET All Share	Thailand	8.0%	8.7%	6.5%	8.6%	2.2%	3.1%	4.1%
S&P/ASX 200	Australia	8.0%	8.6%	8.0%	8.1%	4.8%	4.4%	4.5%
JSX Composite	Indonesia	3.2%	3.9%	2.5%	7.8%	3.4%	4.5%	6.1%
KOSPI	South Korea	17.1%	11.0%	9.8%	7.6%	5.1%	4.8%	4.2%
BOVESPA TR	Brazil	4.2%	4.5%	8.8%	5.3%	7.7%	10.1%	4.6%
MSCI AC Asia Ex Japan	Asia Ex Japan	17.7%	10.6%	8.2%	3.1%	2.7%	4.0%	3.5%
MSCI EM	Emerging Markets	14.6%	9.0%	7.7%	2.9%	1.9%	3.3%	1.5%
Shanghai Composite	China	21.6%	4.2%	3.2%	1.5%	3.1%	-0.2%	2.0%
Hang Seng	Hong Kong	42.8%	11.1%	7.1%	0.1%	-2.0%	0.1%	1.1%
FTSE Bursa Malaysia KLCI	Malaysia	-6.9%	1.8%	0.5%	-1.2%	-2.3%	-1.3%	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.**
- **Over 5, 7, 10, and 15-year basis, the Indian equity market has consistently delivered double-digit returns, ranking among the top 5 global equity markets.**

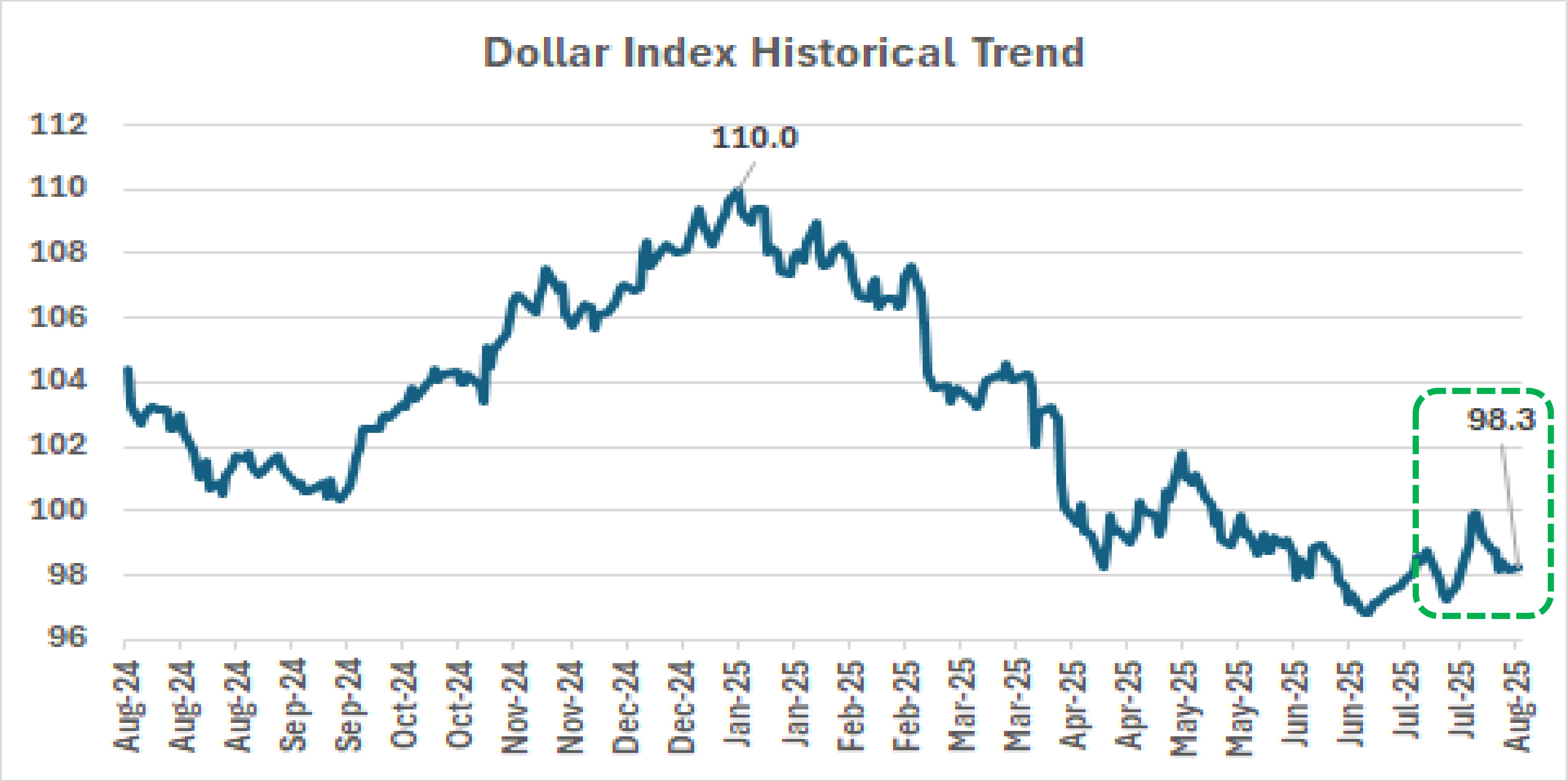
Crude Oil Prices Remained Subdued



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.

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 98.3 as on 11 Aug 2025 (10.6% 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, Except the U.S.

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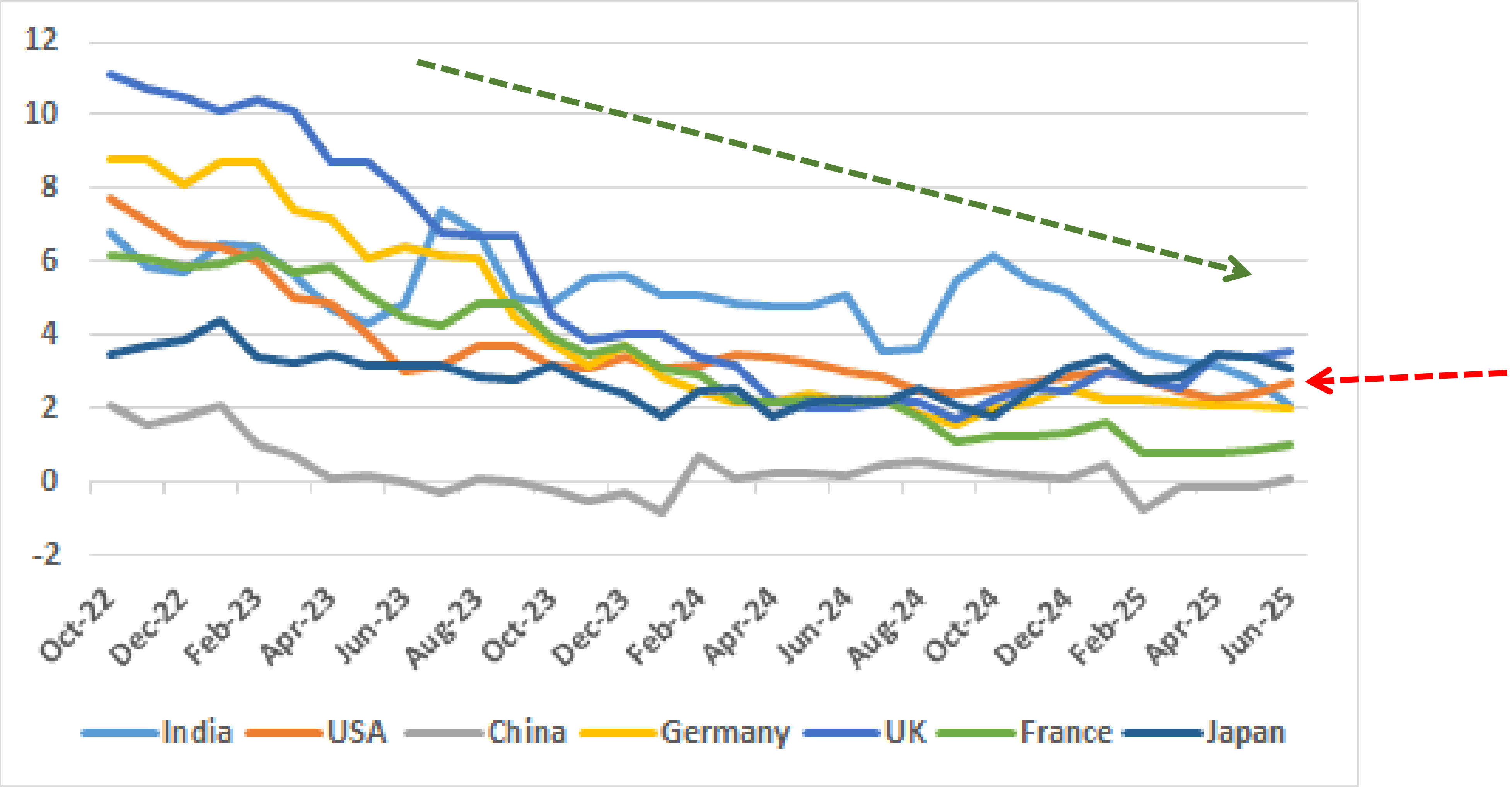
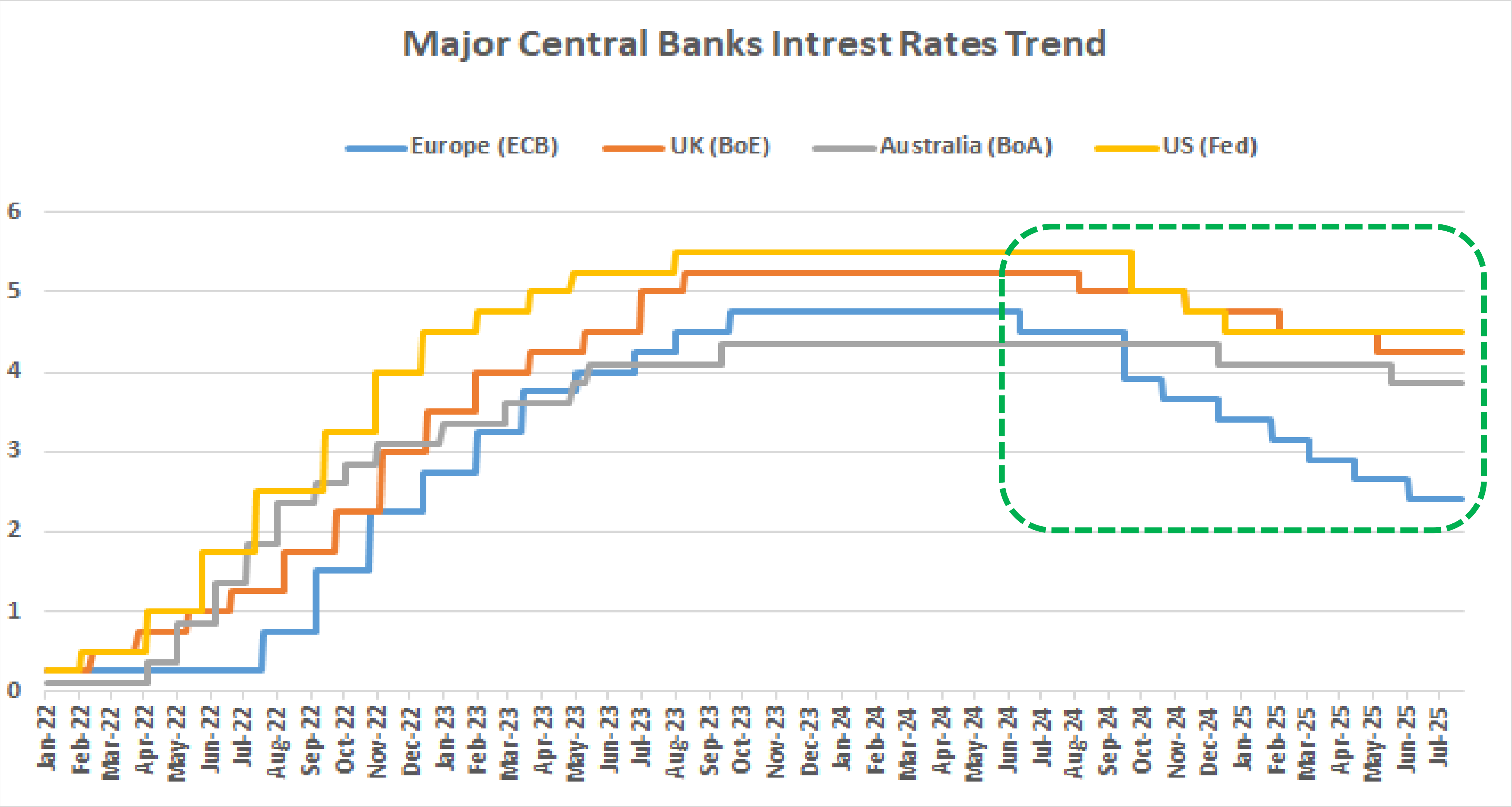
CPI (Inflation, YoY %)



Source: Bloomberg

- Headline inflation continues to moderate across most global markets, except U.S. where marginal uptick is noticed
- However, this trend is under threat due to the lingering concerns over US tariffs.

Central Banks Adopt Wait-and-Watch Approach on Rates

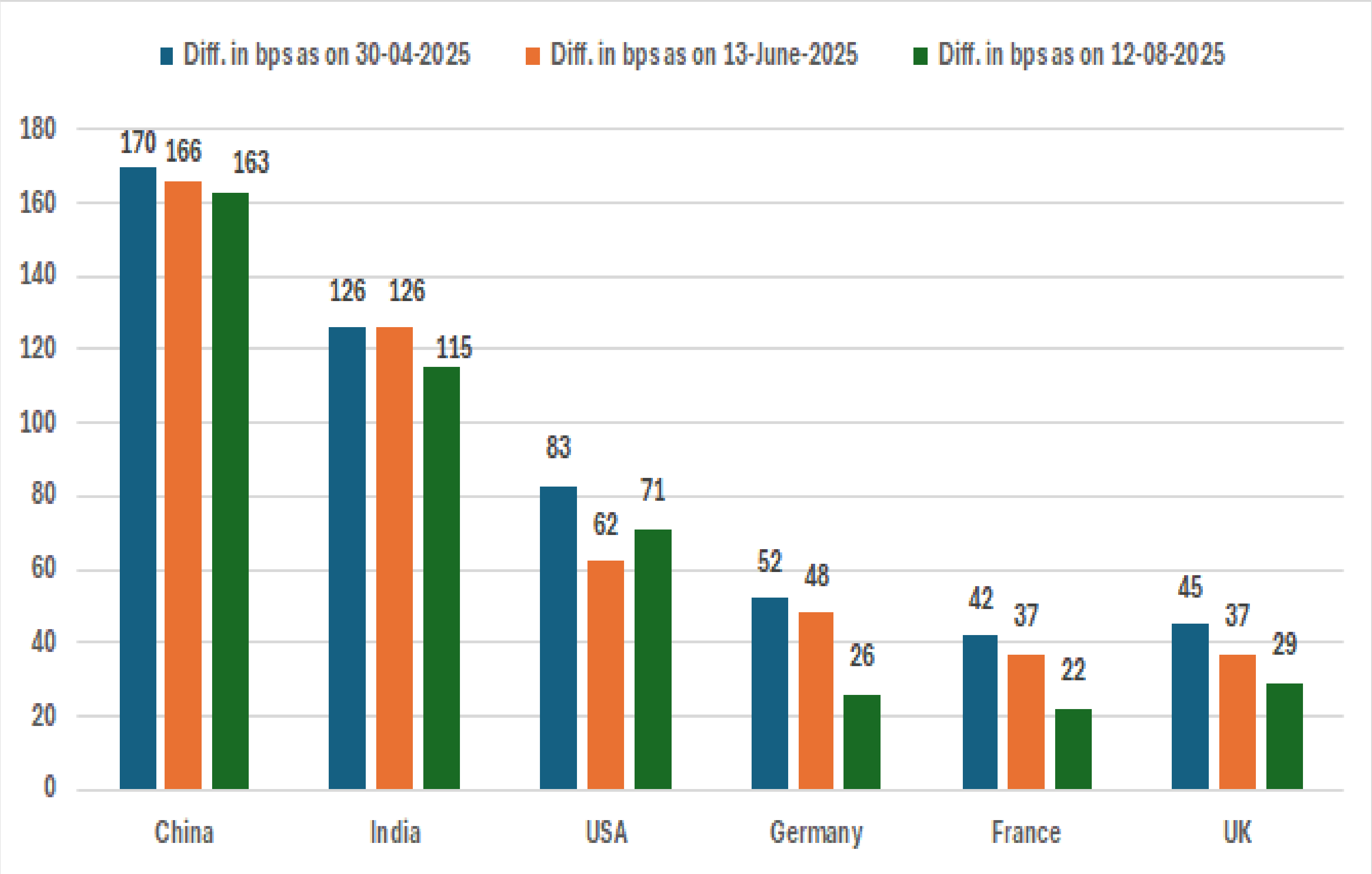


Source: Bloomberg

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

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 13-06-2025	Yield As on 12-08-2025	Diff. in bps as on 30-04-2025	Diff. in bps as on 13-06-2025	Diff. in bps as on 12-08-2025
China	07-01-2021	3.36	1.66	1.70	1.73	170	166	163
India	**16-06-2022**	**7.62**	**6.36**	**6.36**	**6.47**	**126**	**126**	**115**
USA	19-10-2023	4.99	4.16	4.37	4.28	83	62	71
Germany	20-09-2023	2.97	2.44	2.49	2.70	52	48	26
France	11-03-2025	3.59	3.17	3.21	3.37	42	37	22
UK	10-01-2025	4.89	4.44	4.52	4.60	45	37	29

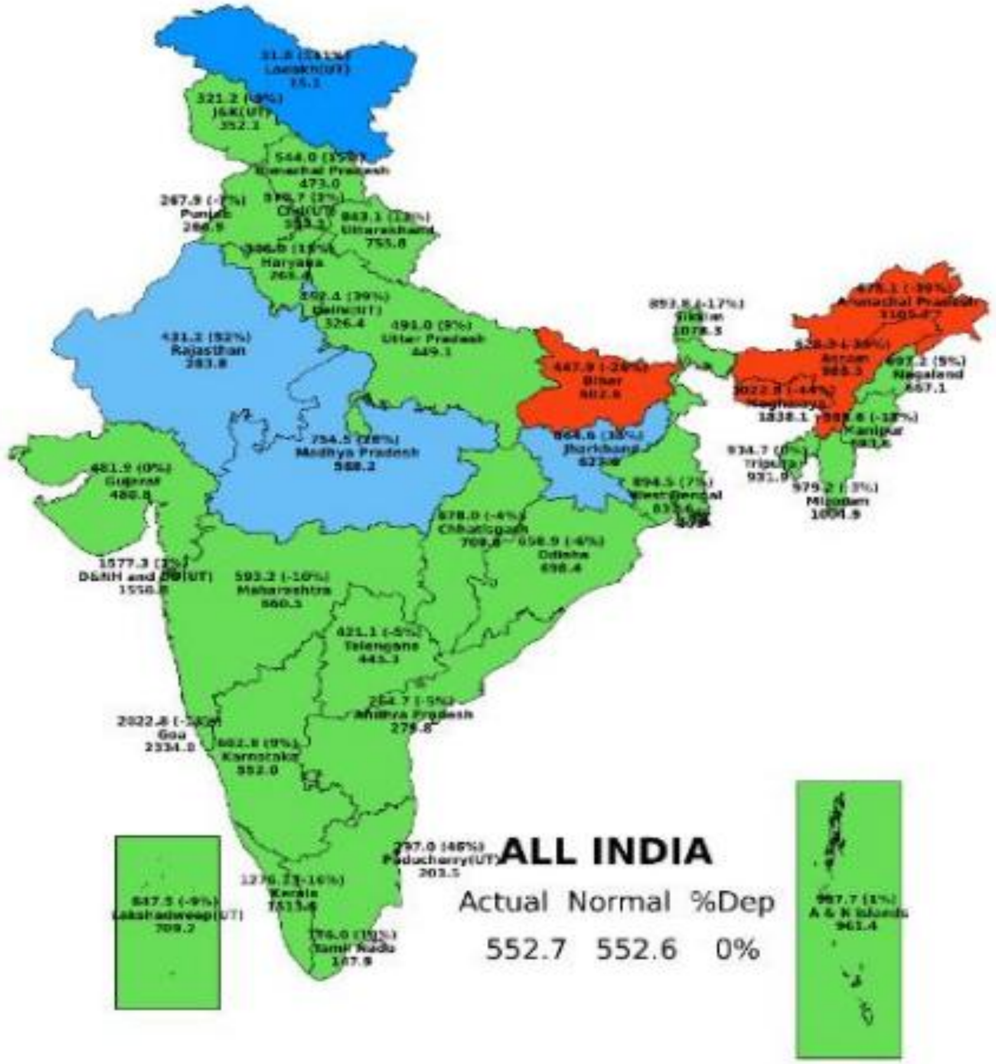
Source: Bloomberg

- 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.

- However, Europe back near highs; US mid-range; India/China still well below.

Domestic Macro & Monsoon Update

FY2026 Monsoon: Rainfall Momentum Slows, but Stays Above LTV



Source: IMD, Bank of Baroda Research | Period from 1 Jun-12 Aug 2025

No Data · No Rain · Unlisted · Large Deficient [-99% to -60%] · Deficient [-59% to -20%]
Normal [-19% to 19%] · Excess [20% to 59%] · Large Excess [60% or more]

- Cumulatively (1 Jun-12 Aug 2025), India has received 552.7mm rainfall, which is higher than normal and lower than 587.6mm recorded last year during the same period.
- Kharif sowing has picked up pace supported by strong advancement of South West monsoon. Region wise, a broad based deviation has been noted across all the regions.
- As of 8th Aug 2025, overall sown area has improved by 4% compared with last year. Total sown area of coarse cereals and rice have registered a robust growth of 4.5% and 12.1% respectively.
- Water reservoir levels is higher than last year, with All India reservoir at 73% of the total storage capacity versus 65% last year during the same period.

India's Inflation: The Lowest Inflation Print After June 2017

BAJAJ Allianz
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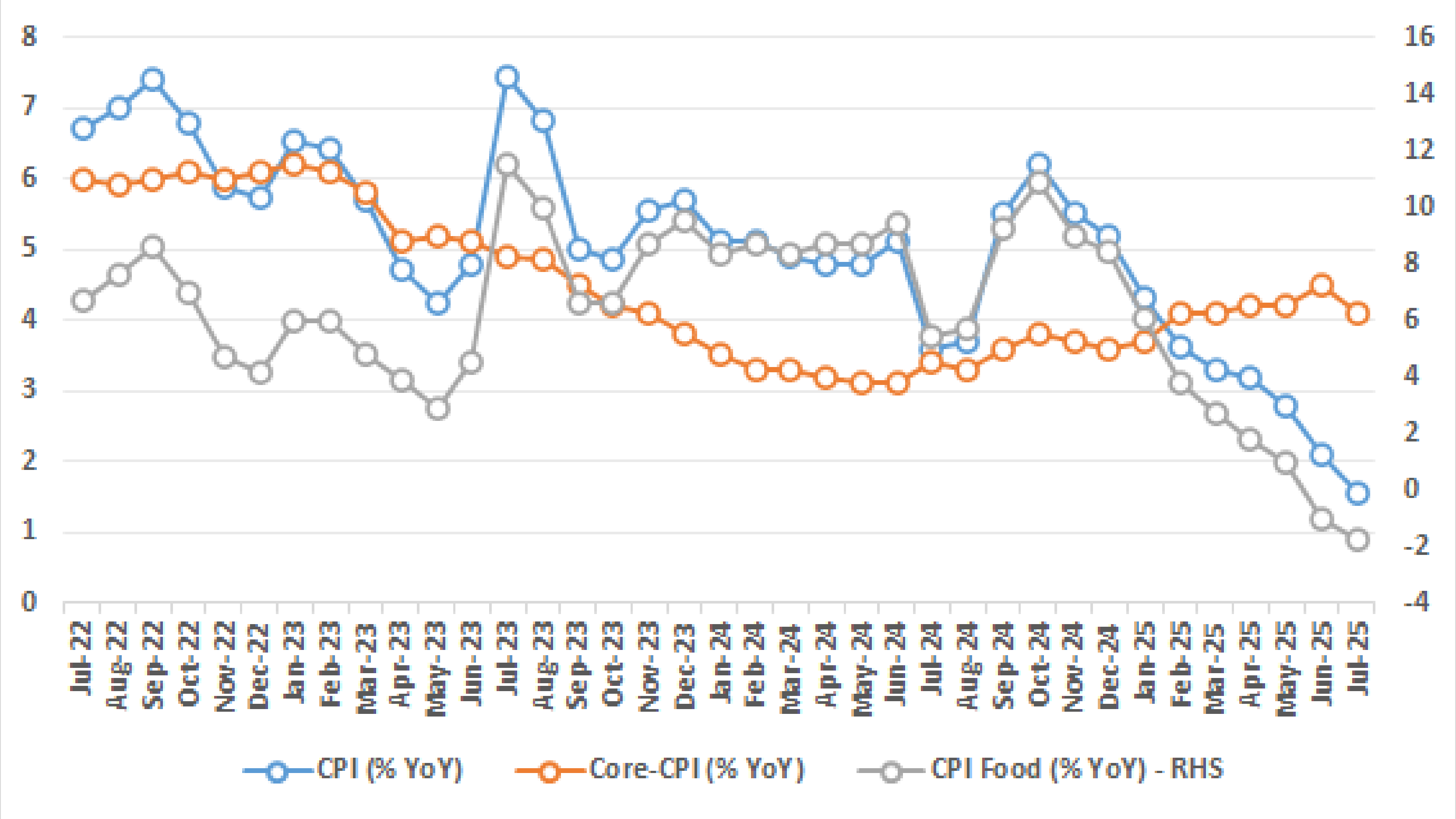
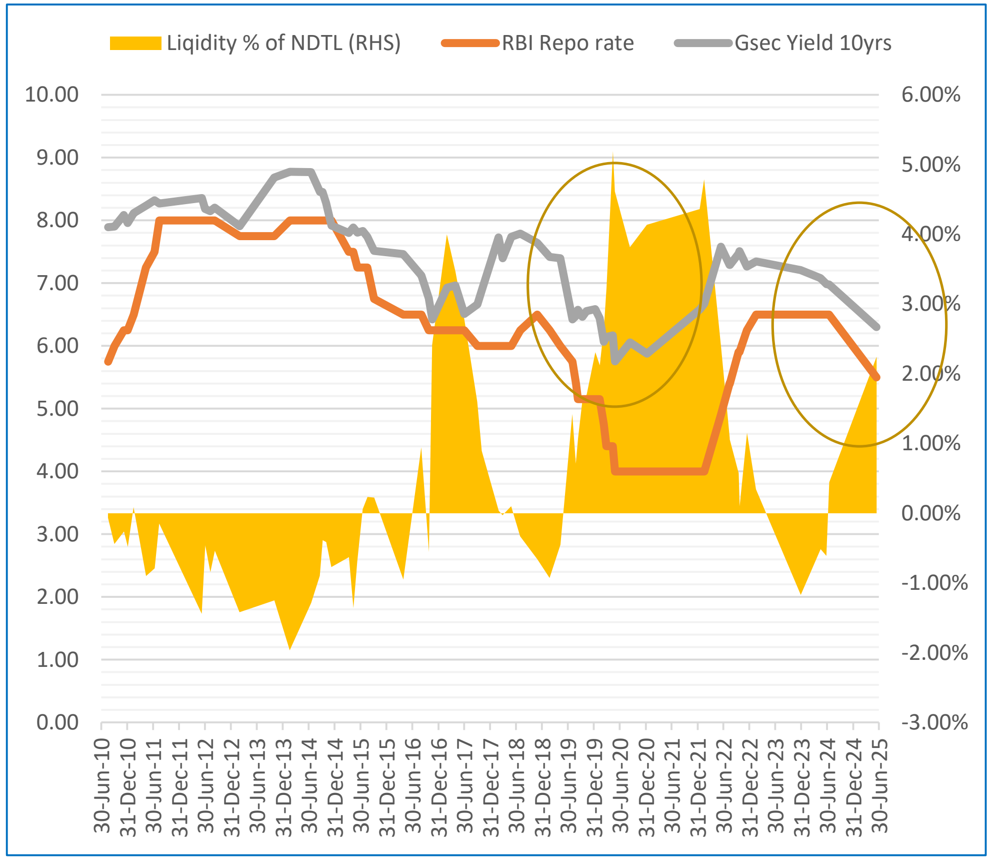
Inflation Trend (in %)

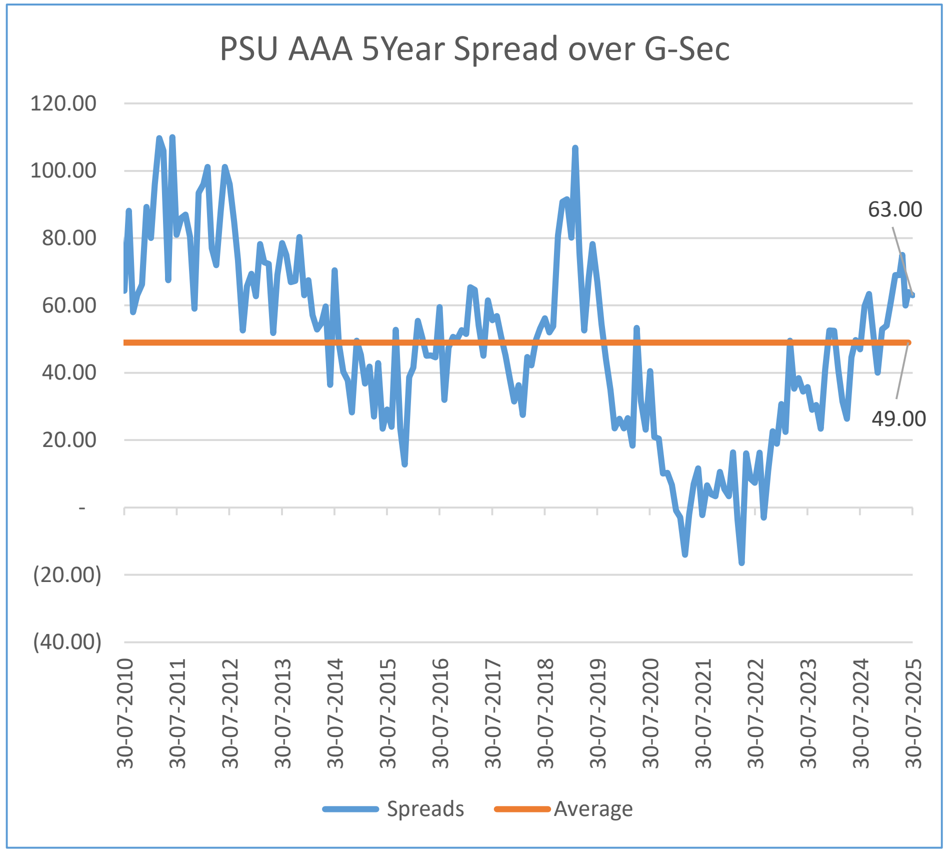


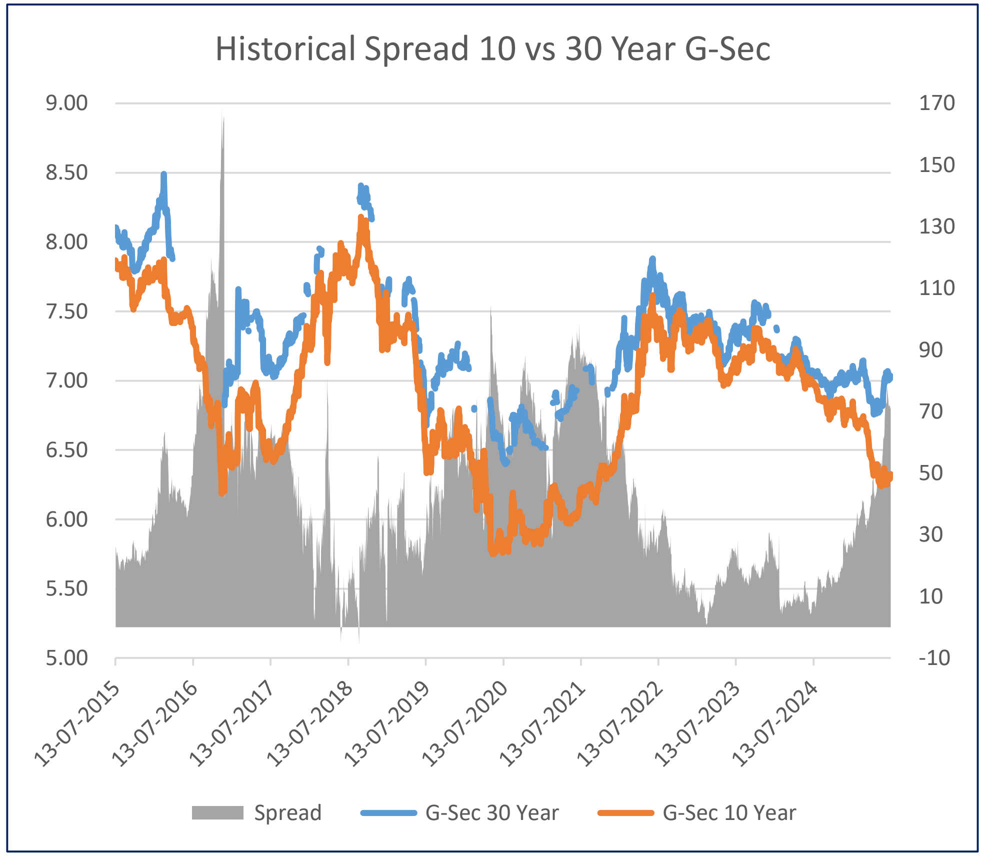
Source: Bloomberg, MOSPI

- India's headline inflation, based on CPI, declined to 1.55% in July 2025, the 8-year low. It is the lowest inflation print after June 2017
- Food inflation, measured by the Consumer Food Price Index (CFPI), slipped further into negative territory at -1.76% in July, compared to -1.01% in June. The decline was largely led by lower prices of pulses, vegetables, cereals, eggs, sugar, and transport costs. The July food inflation reading is the lowest since January 2019

Banking system liquidity

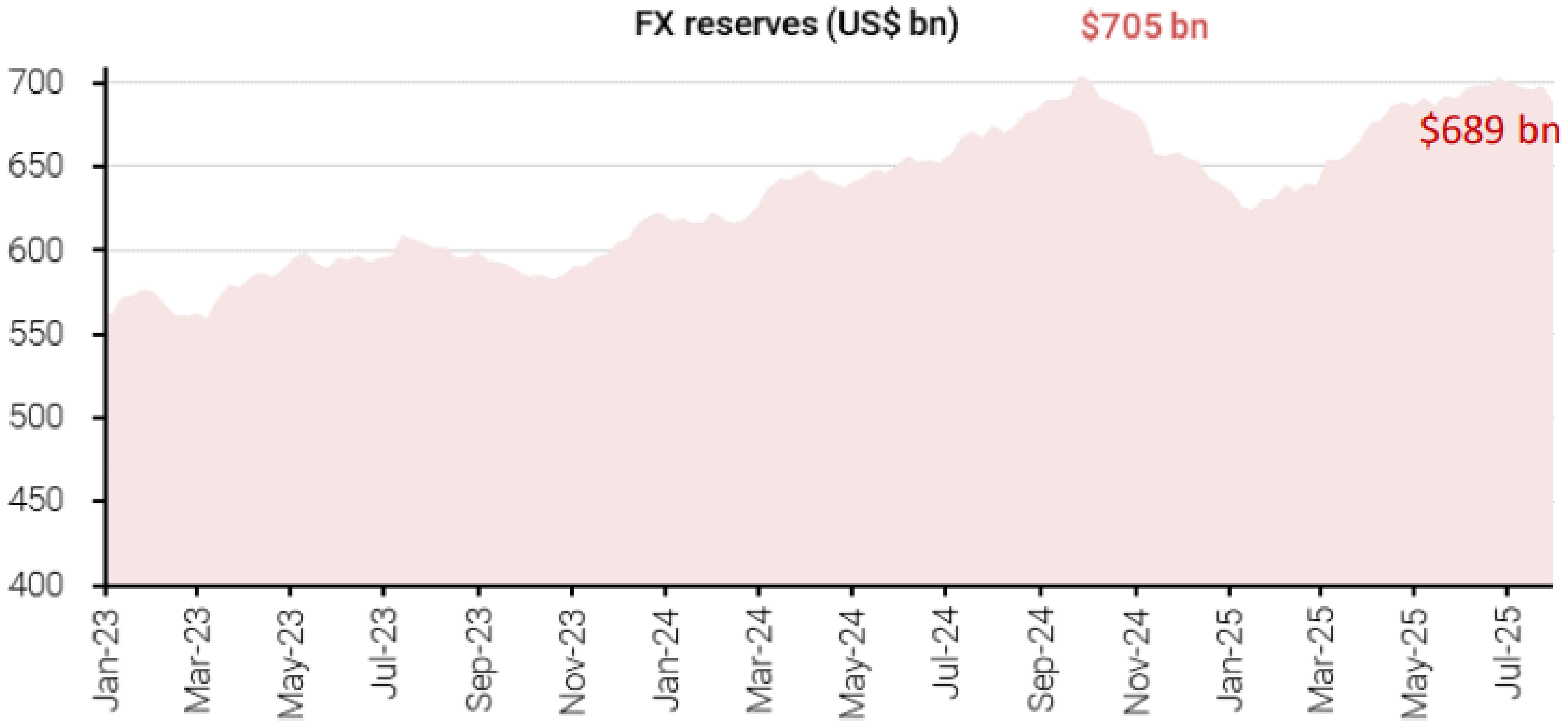






- Banking system liquidity is in surplus to the tune of 2.3% of NDTL and expected to be positive ~ 2% of NTDL by year end (i.e around Rs 5 trn positive in FY 26) which will be higher than the long-term average.
- Corporate Bonds spreads are at elevated levels at around 63bps higher than its long-term 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

Forex Reserve Level Remains High



Source: Kotak Institutional Research, RBI, Bloomberg

- India's forex reserve level remains high and comfortable (11 months of import cover); as of 1 Aug 2025, it stands at $688.87 billion, close to its peak of ~$705 billion.

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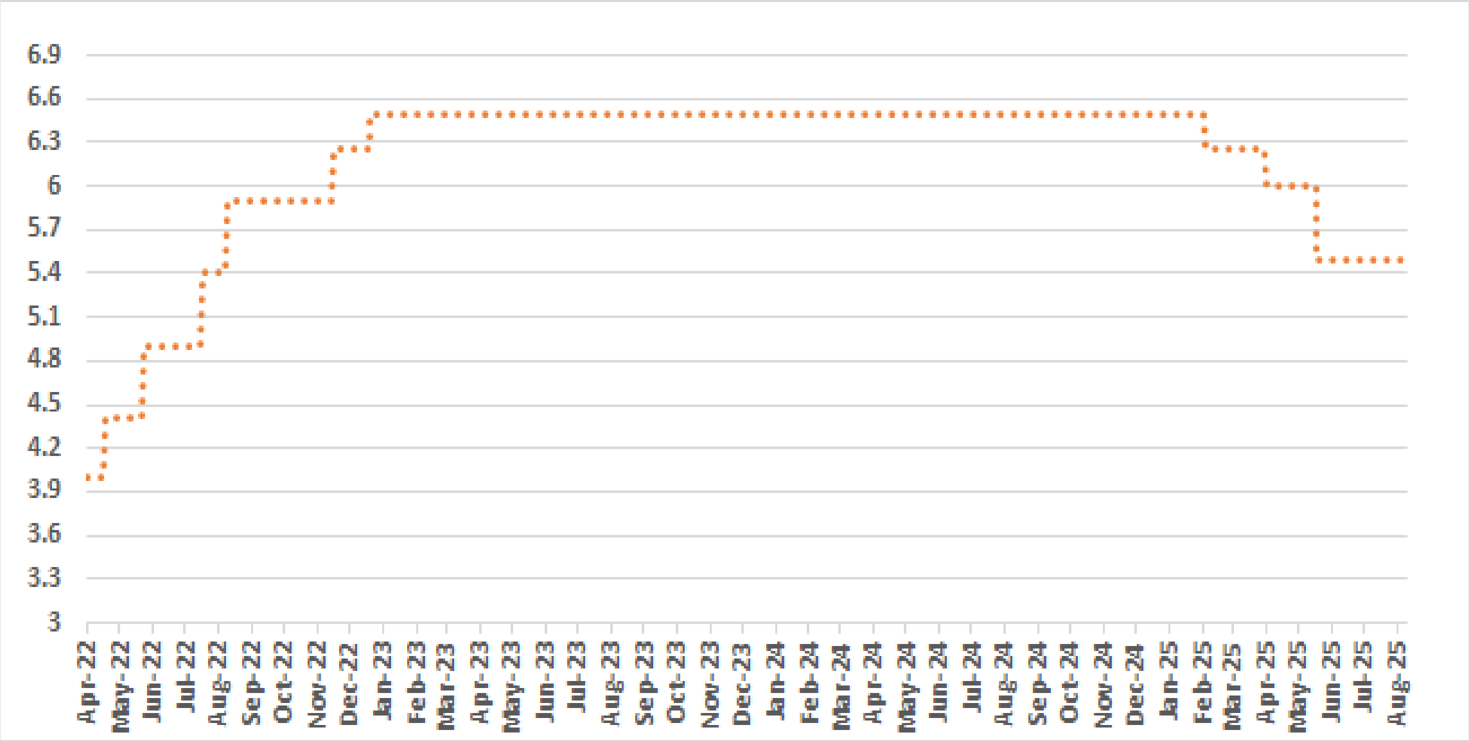
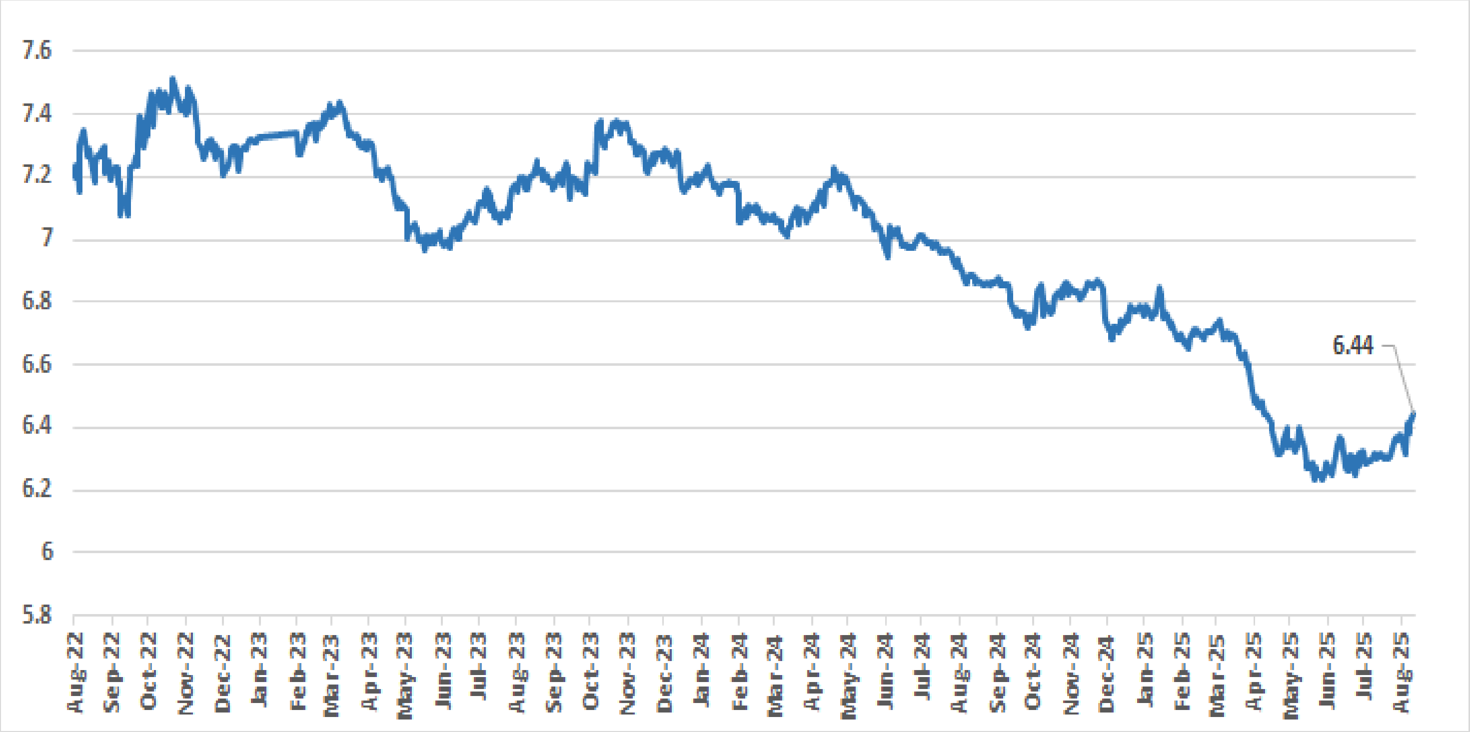
RBI Monetary Policy

RBI - Monetary Policy Decision

Repo Rate Trend (in %)



10 Year G-Sec Yield (in %)



Source: RBI, Bloomberg

- In its August 2025 monetary policy review, the RBI's Monetary Policy Committee (MPC) voted unanimously to retain the current rate unchanged at 5.5% and continue with a ‘neutral’ stance, indicating that future moves will depend on evolving data.
- The central bank emphasized the importance of allowing earlier rate cuts to transmit fully into the economy before taking further steps.
- The RBI concluded that inflation and growth trends are broadly aligned with expectations. With the benefit of past rate cuts yet to play out fully, the central bank is in no rush to change course.
- The “neutral” stance offers flexibility to respond to changing dynamics while supporting the ongoing recovery.
- Given this backdrop, we expect the 10-year government bond yield to remain in a narrow range of 6.25% to 6.50%. In the current interest rate environment, we prefer investments in 5-year corporate bonds.

India's GDP Growth Momentum Remains Steady Despite Global Uncertainty

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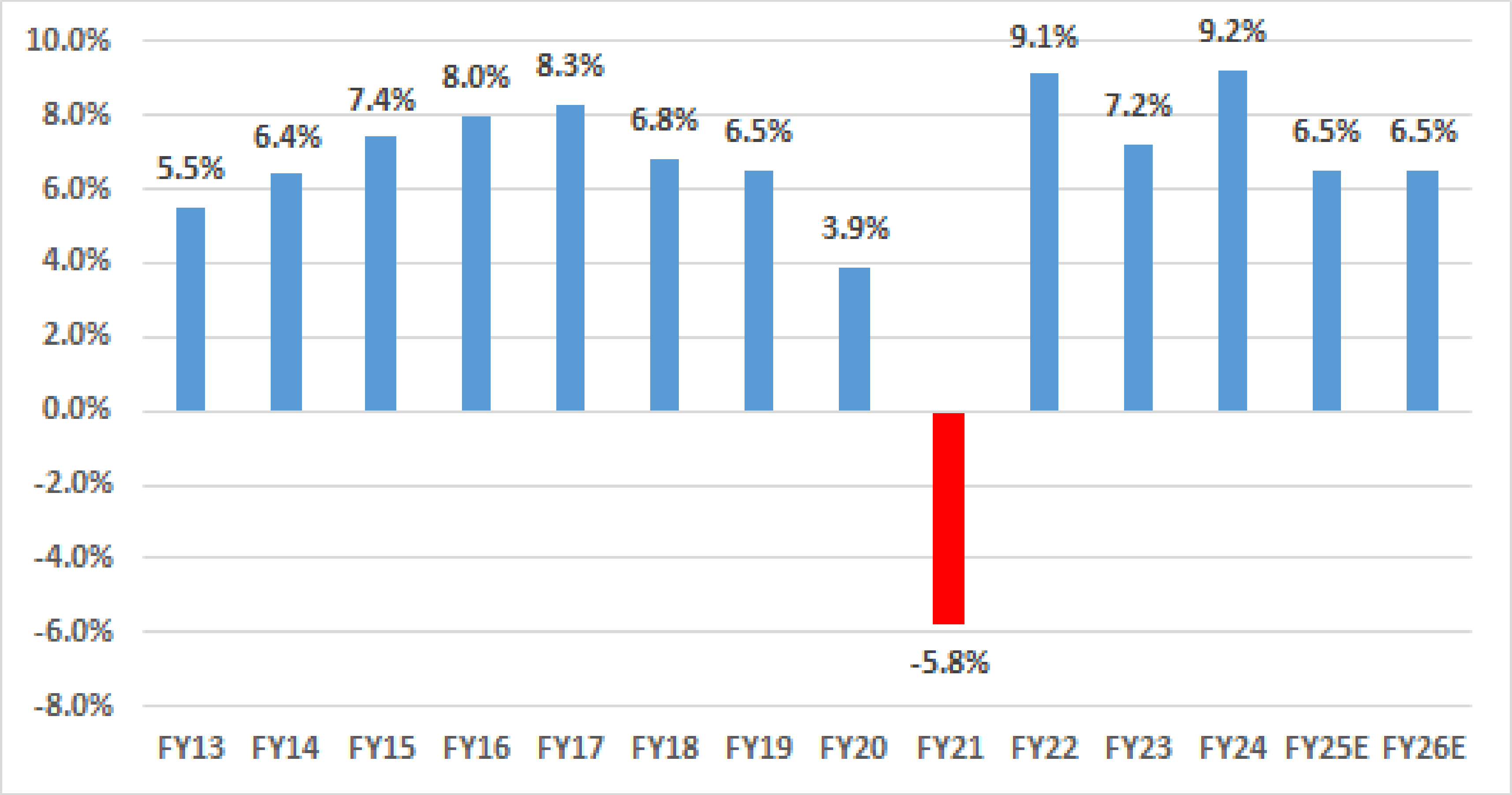
India Fiscal Year-Wise GDP Growth (% YoY)

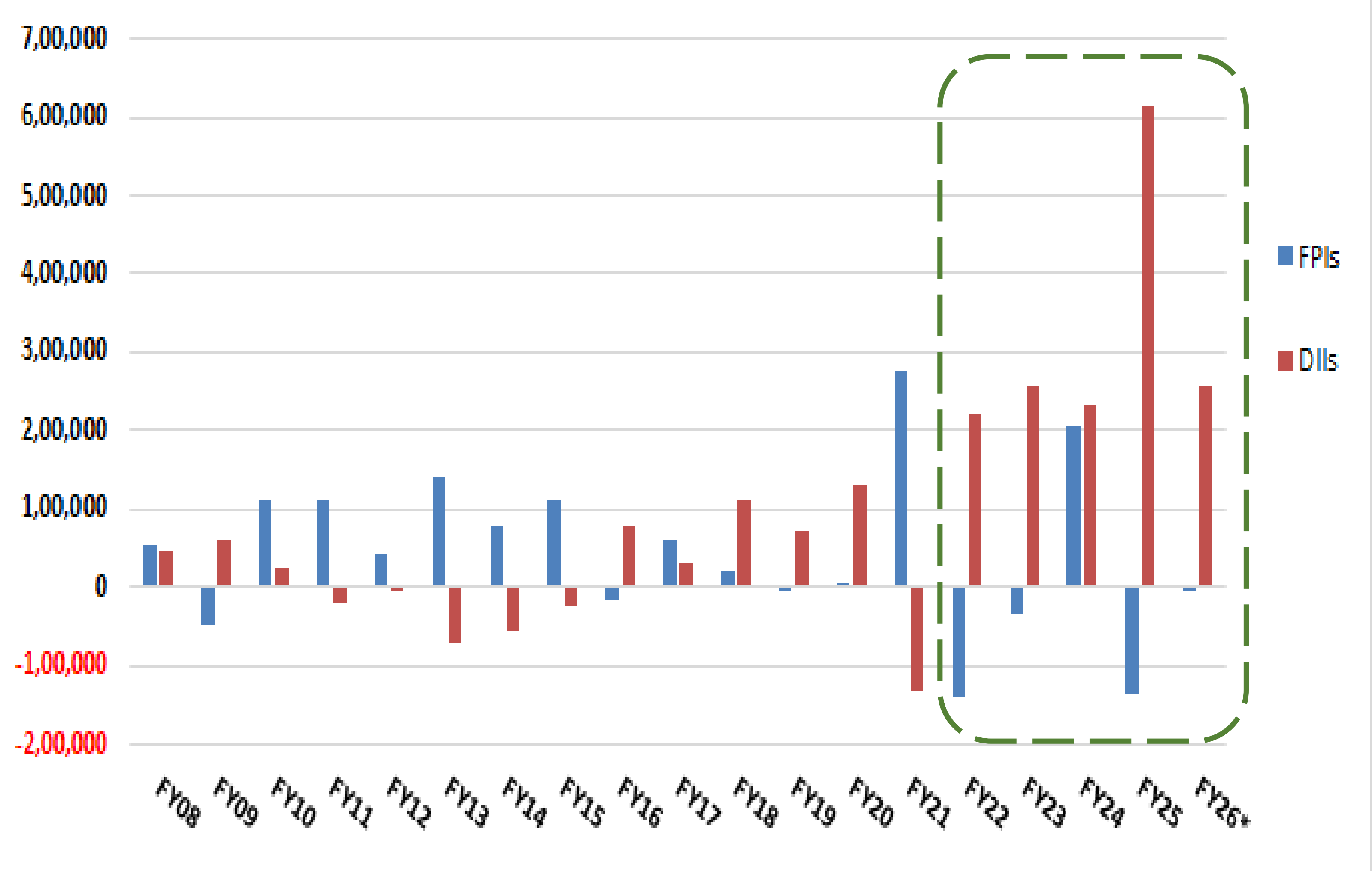


Source: RBI

- 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.
- India's economic growth remains in line with RBI's projections, although some high-frequency indicators are signalling mixed trends. Rural demand remains strong, supported by healthy monsoon activity, which has improved kharif sowing and reservoir levels.
- Government capital expenditure, construction, and services activity remain robust. However, industrial growth, particularly in mining and electricity, has been subdued.
- Risks to the outlook remain evenly balanced, with external uncertainties, especially around global trade and tariffs, continuing to pose a challenge.

Market Flows

FPI Flows Turned Marginally Negative In FY26 So Far, DII Flows Remains Robust



Source: NSDL, BALIC Research, * As on 6 Aug 2025

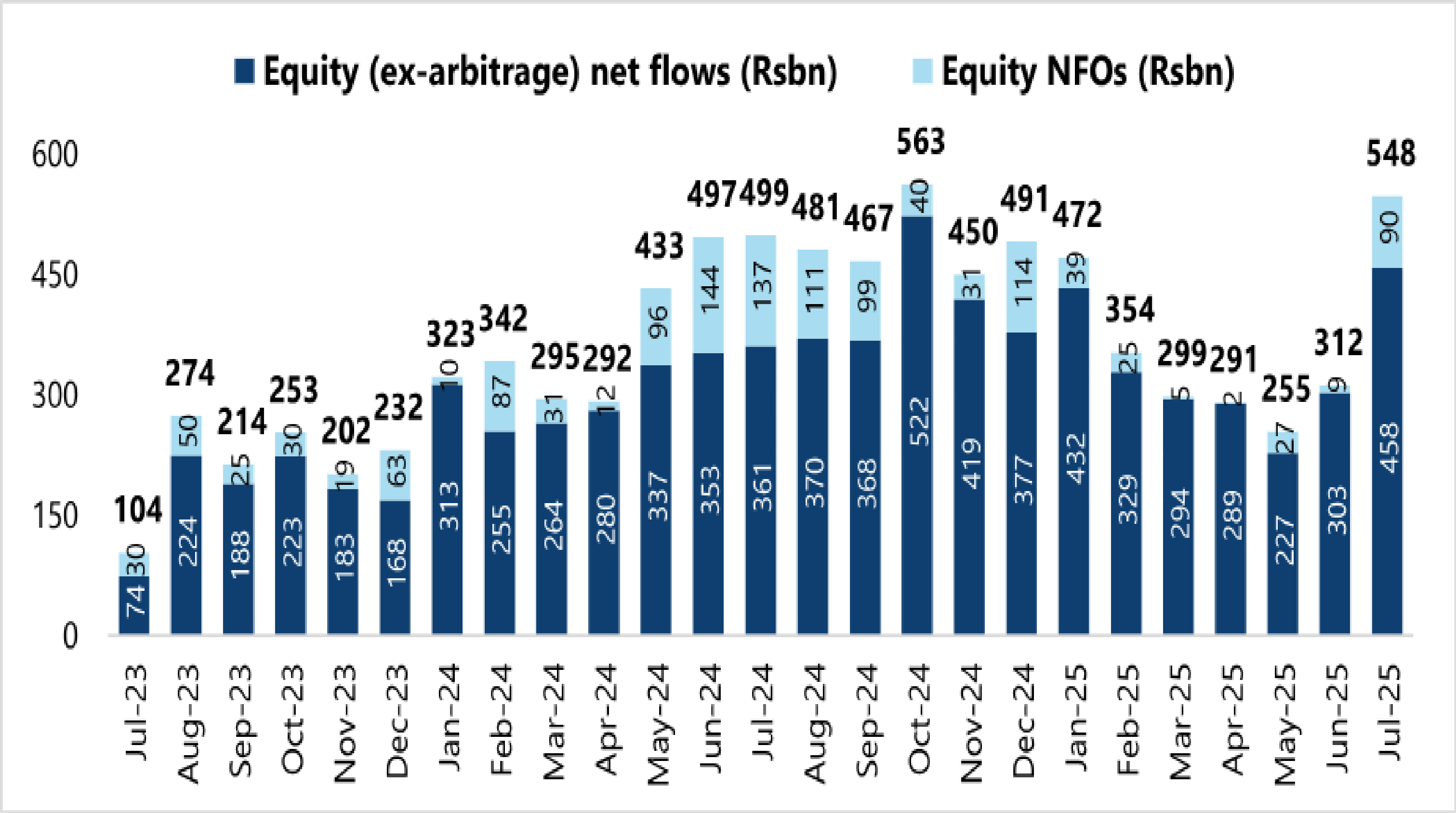
Source: NSDL, Axis Capital	Rs in Crore	
Year	**FPIs**	**DIIs**
FY08	52,572	47,794
FY09	-48,250	60,040
FY10	1,10,752	24,211
FY11	1,10,121	-18,709
FY12	43,738	-5,347
FY13	1,40,032	-69,069
FY14	79,709	-54,161
FY15	1,11,445	-21,446
FY16	-14,171	80,416
FY17	60,196	30,787
FY18	21,074	1,13,258
FY19	-90	72,115
FY20	6,151	1,29,301
FY21	2,74,897	-1,34,056
FY22	-1,39,434	2,21,389
FY23	-35,268	2,56,128
FY24	2,08,200	2,31,226
FY25	-1,37,729	6,15,236
FY26*	-90	2,58,555

- FIIs have been net sellers in FY25, and the trend has extended into FY26, with cumulative net outflows of around Rs. 90 crore in the first five months (up to 6 August 2025). While the quantum of outflows is marginal, the continued selling indicates prevailing negative sentiment.

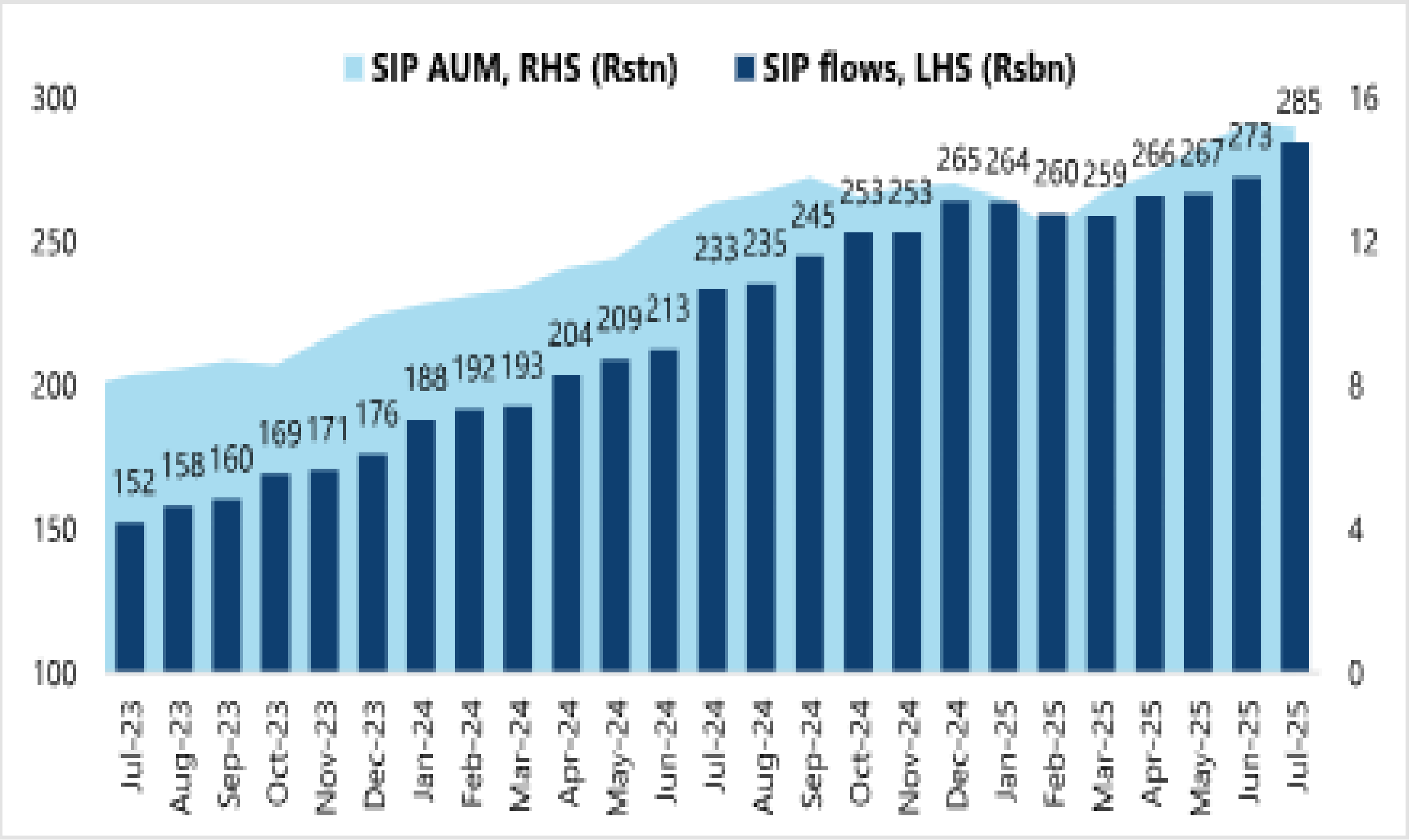
- In contrast, DII flows have remained significantly positive, posting net inflows of Rs. 2,58,55 crore during the same period — reflecting strong domestic investor confidence.

MF Flows – Equity Flows Rebound; SIPs Picked Up Momentum

Flows in Equity mutual fund schemes



Gross SIP flows & AUM

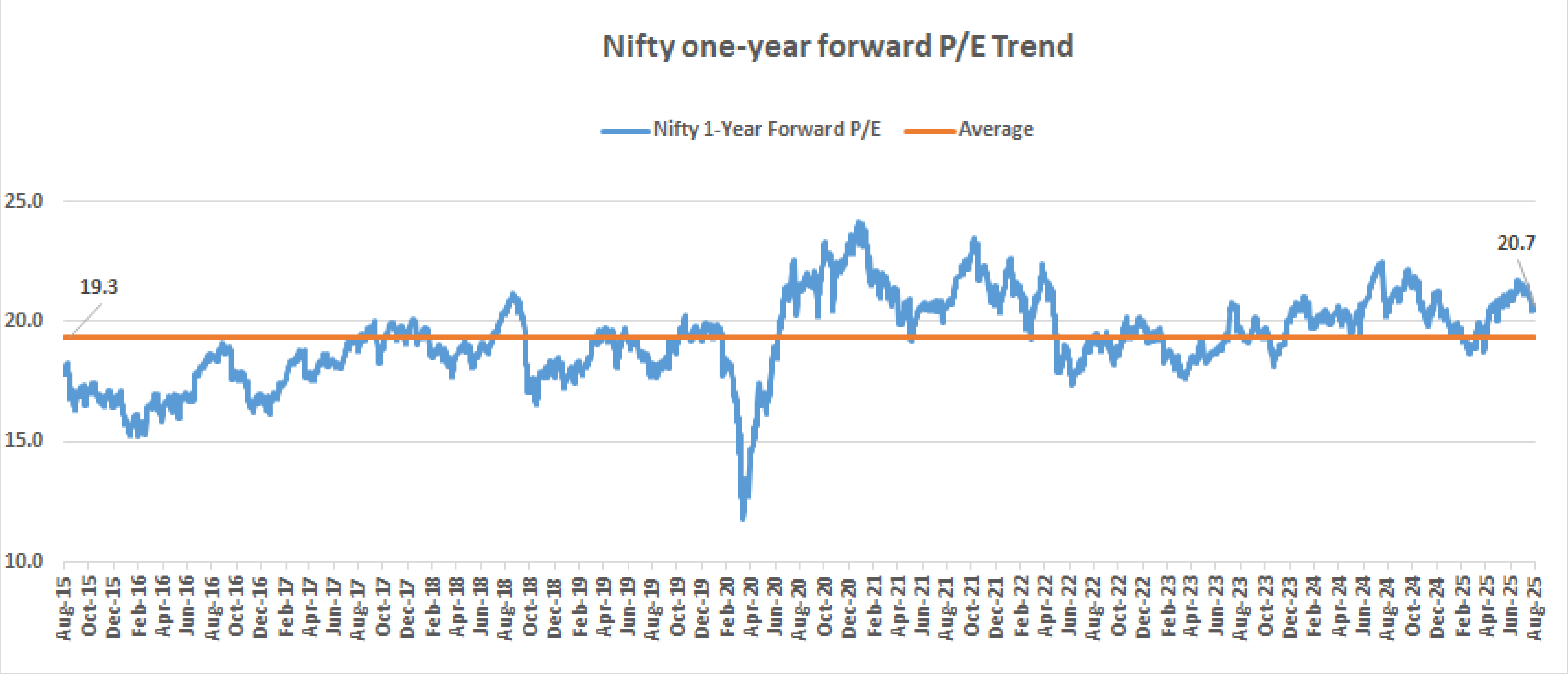


Source: AMFI, Jefferies

- In Jul-25, net equity flows (ex. arb & NFOs) were up 51% MoM at Rs458bn
- MF AUM was up 1% MoM (+16% YoY) to Rs75tn, with equity AUM up 15% YoY, and flat MoM
- SIPs continue to attract healthy flows, with growth of 22% YoY to Rs285bn in Jul-25
- Net flows in equity MFs (incl. arb) were up 33% MoM to Rs621bn

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

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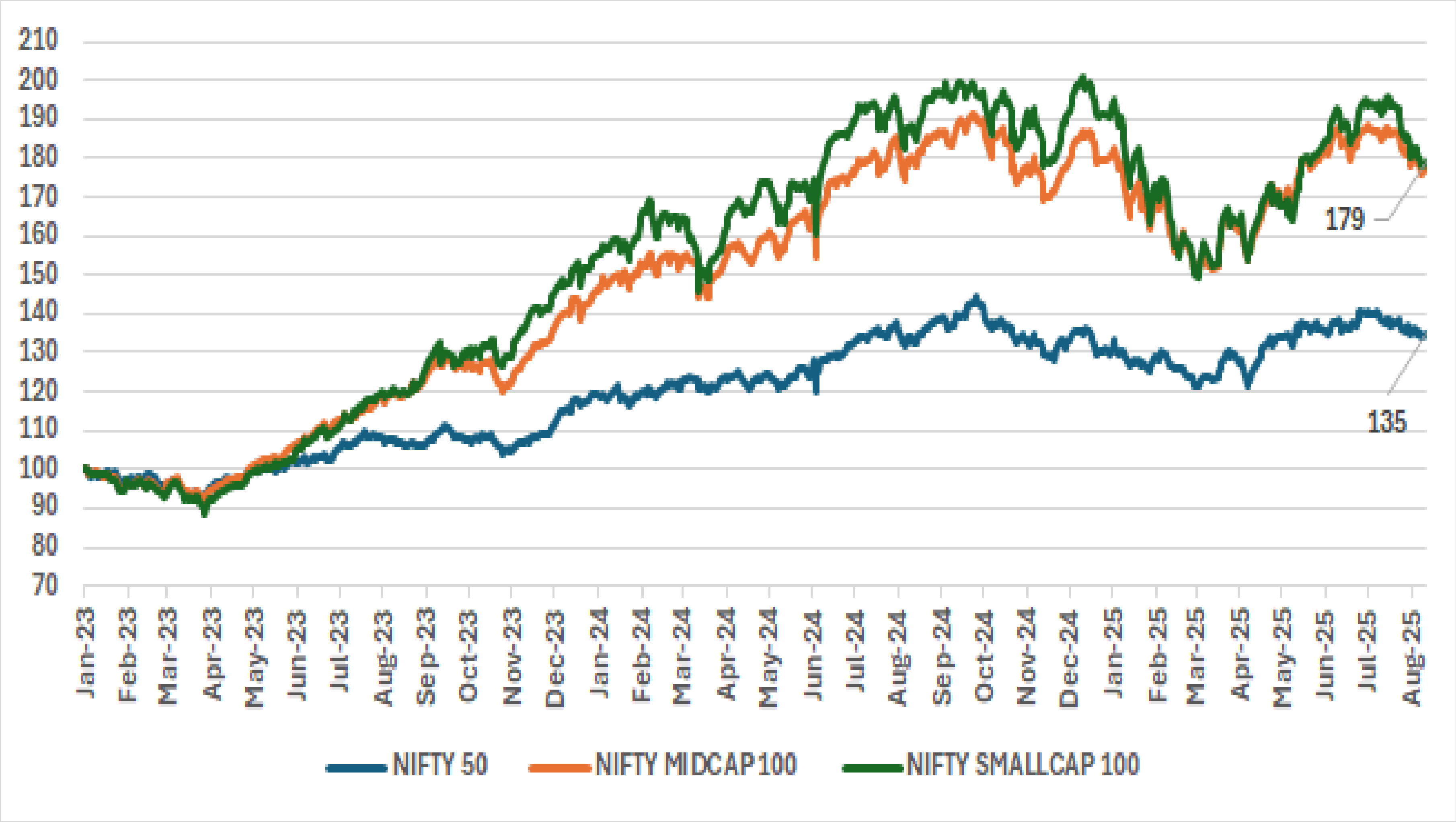


Source: Bloomberg, NSE, BALIC Research, As on 11th Aug 2025

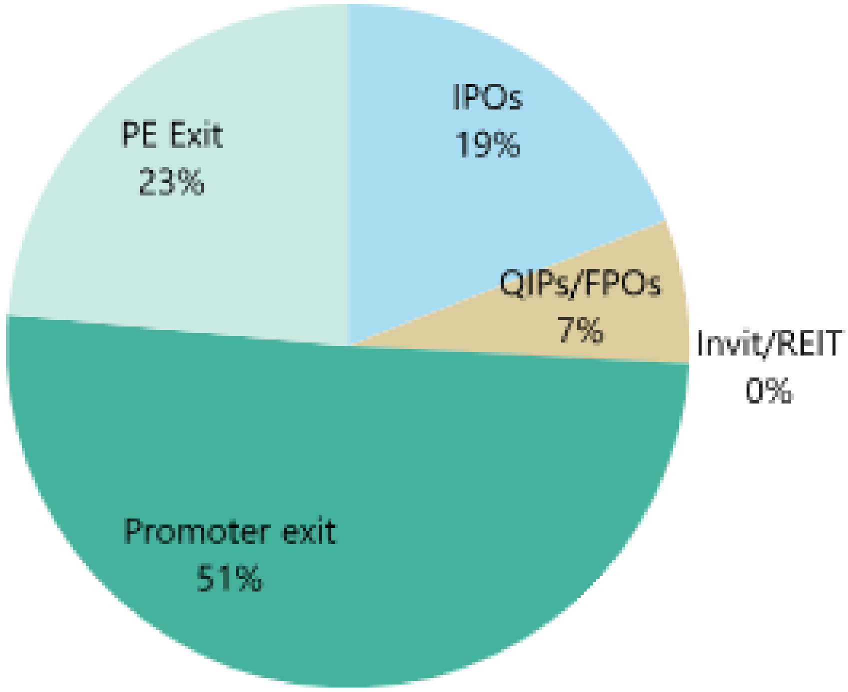
Index	P/E (Price/Earnings Per Share)
Nifty 50	21.93
Nifty Mid Cap 100	31.95
Nifty Small Cap 100	31.66

Source: NSE Factsheet as on 31-July-2025

- Mid & Small Cap Indices continue to outperform Nifty 50 by a significant margin since Jan 2023 (>2 Years). However, due to the recent market fall, valuations in Mid & Small Cap segment have moderated considerably.
- During this period, Mid & Small Caps are up 78% & 79 %, respectively, compared to a 35% return for Nifty50.
- Mid & Small Cap (on a Historical P/E basis) are still trading at relatively high valuations, with further room for correction.

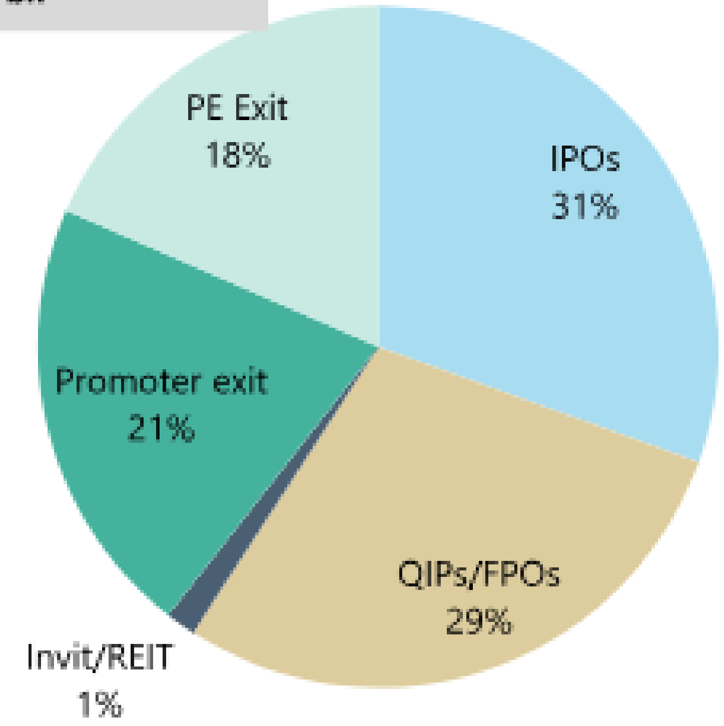
Equity Supply to Capital Market

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



Source: Bloomberg, NSE, BSE, Jefferies

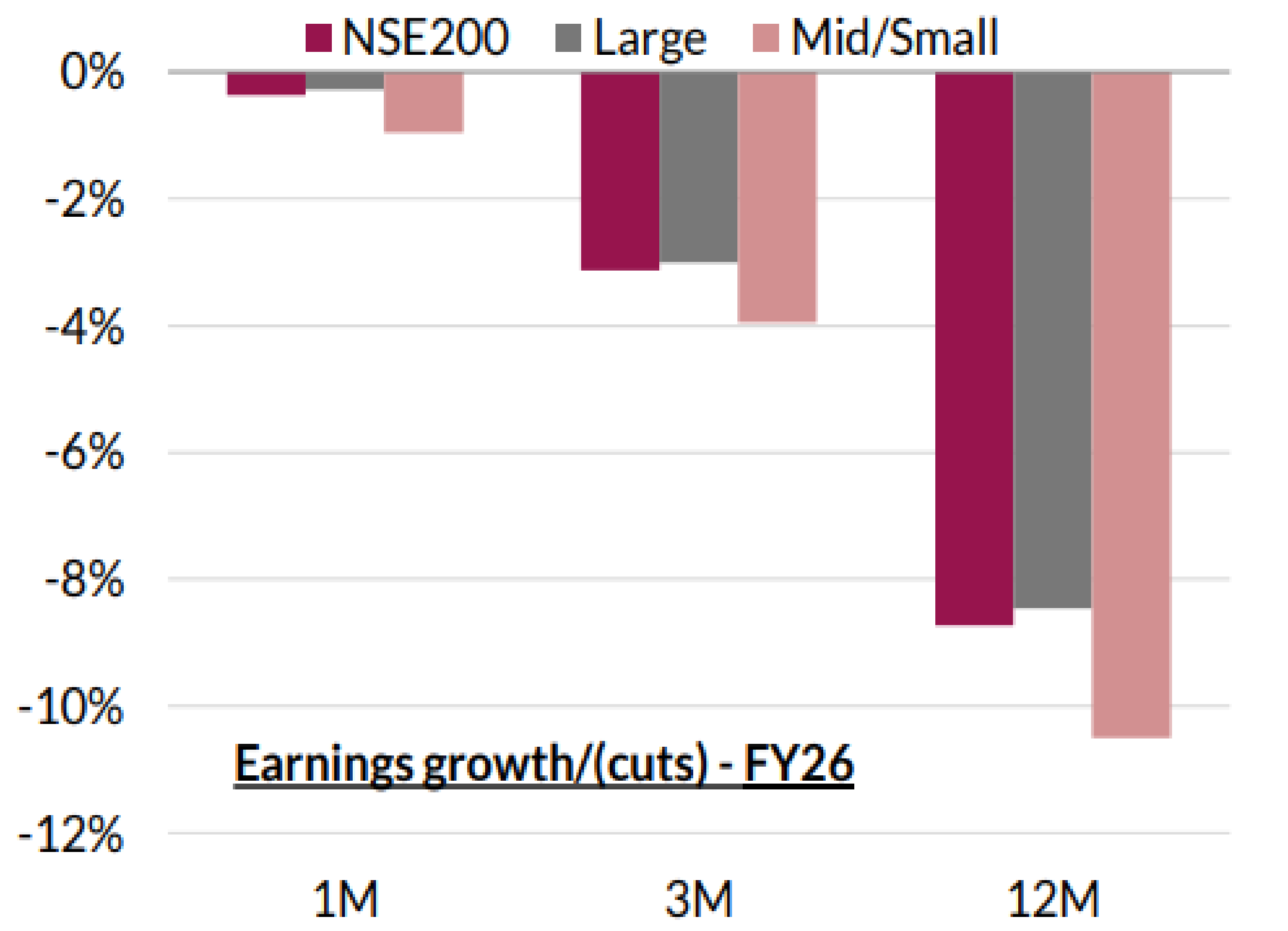
Total Equity supply in FY25:
US$ 67bn



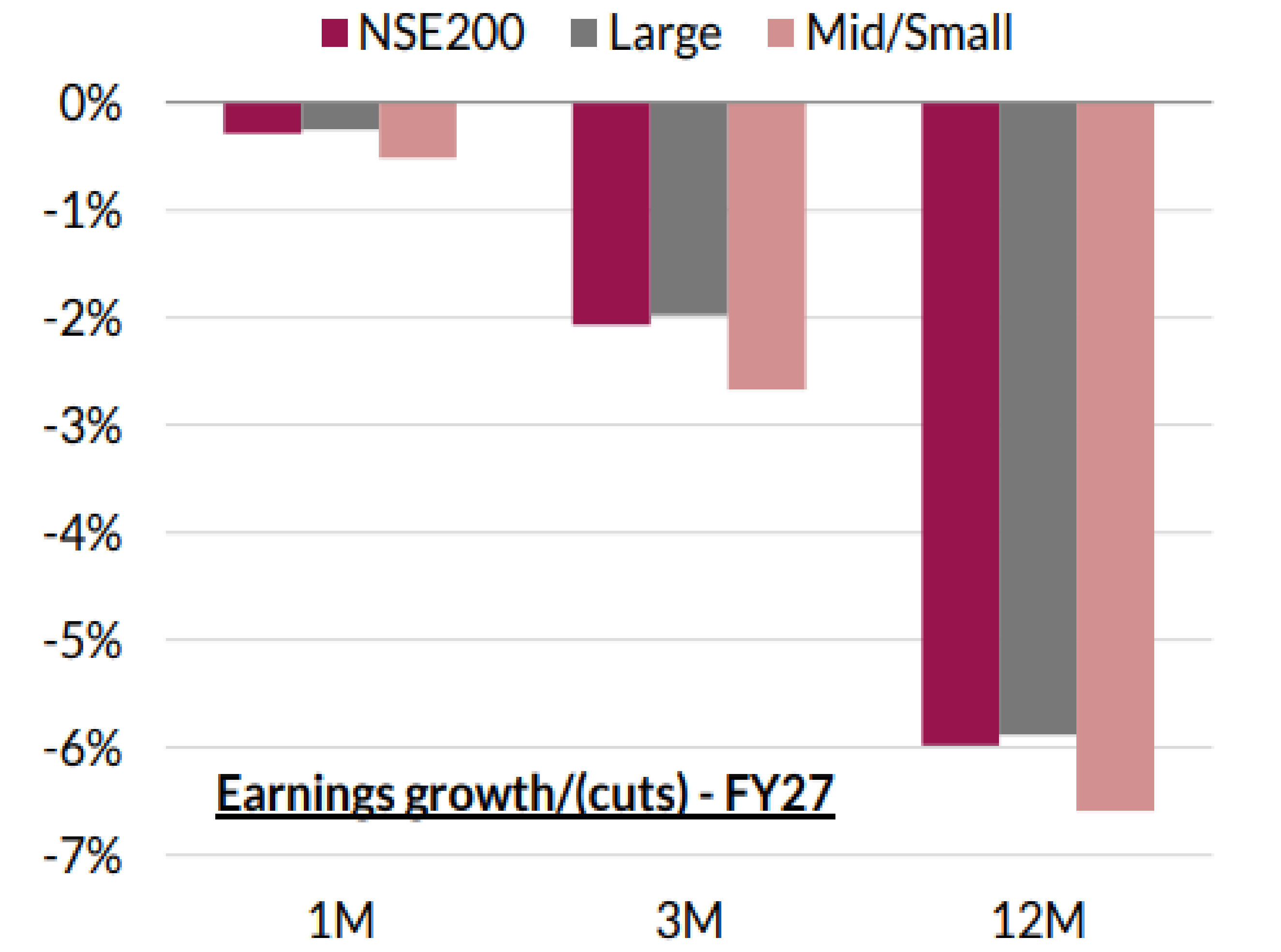
Source: Bloomberg, NSE, BSE, Jefferies

- Sharp market rebound from Mar25 lows has triggered a strong equity supply. 75% driven by promoter/PE exits, May & June equity supply was Rs. ~1.45 Lakh Cr+ (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



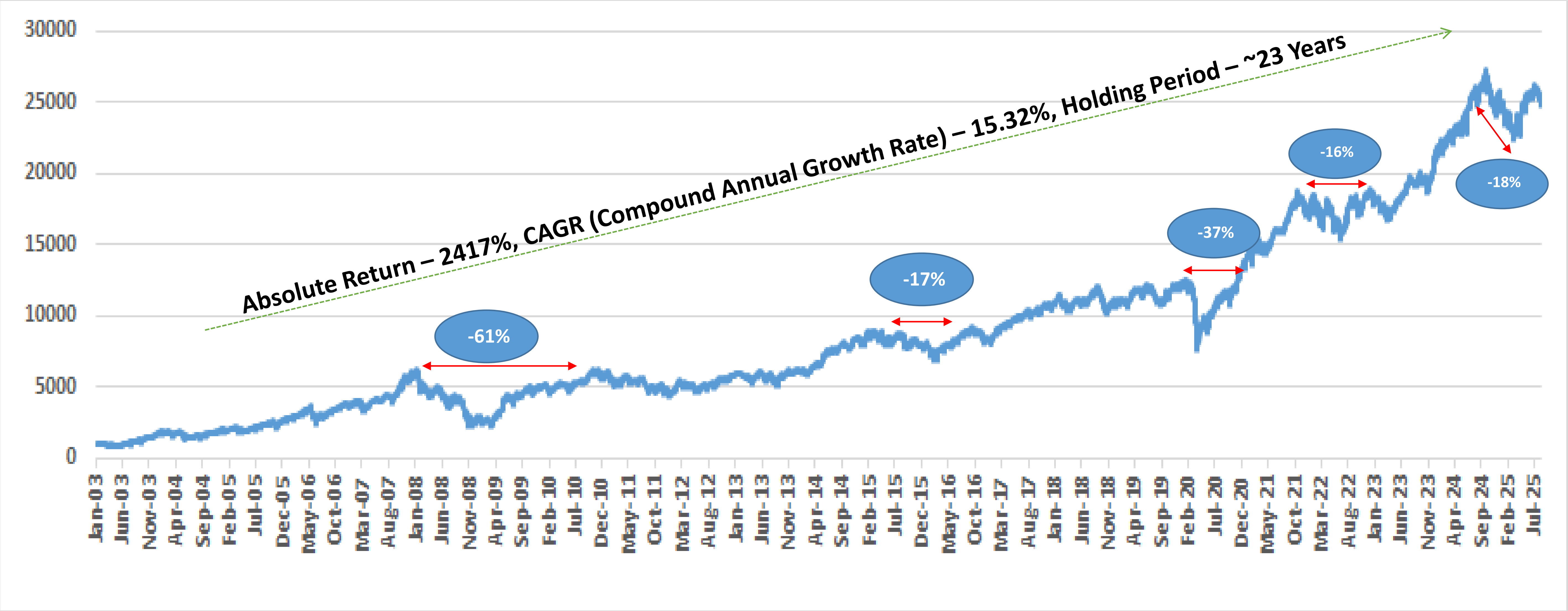
Source: Refinitiv, Axis Capital



Source: Refinitiv, Axis Capital

- NSE200 EPS estimates for FY26/27E have been revised down 0.4/0.3%, making Jun’25 the tenth consecutive month of cuts.
- The cuts to FY26E earnings estimates have been higher for mid-cap stocks than large-caps in NSE200 over the past one/three/12 months. Cuts for FY27E follow the same pattern, but the cuts are milder.

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

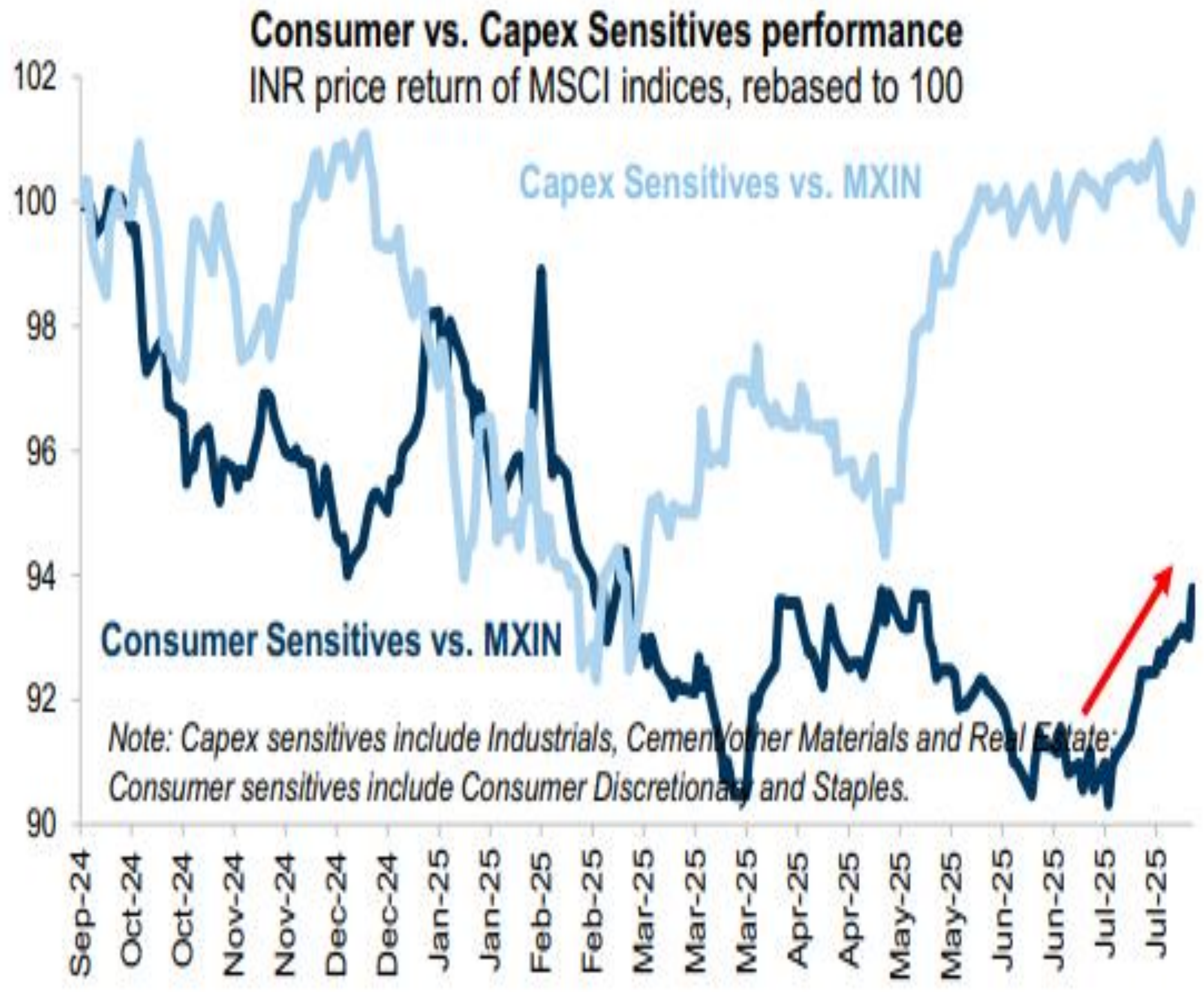


Source: NSE Indices, BALIC Research, As on 11-Aug-2025

- 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

Consumption Stocks Gain Momentum in Recent Weeks



Source: FactSet, Goldman Sachs Global Investment Research

- Consumption stocks have underperformed the broader markets during the last one year.
- However, this trend is showing some signs of reversal in the last few weeks as consumption stocks have started outperforming driven by tailwinds such as — tax cuts, monetary easing, and rural recovery.
- Continued recovery in economic activity translating into improved consumer sentiments is essential for this recovery to sustain.

Equity Market Outlook (1/2)

- After a strong performance in the June quarter the Indian equity markets have turned weak with the Nifty50 delivering six consecutive weeks of negative returns as of last week.
- Since the end of June, Nifty50 is down 4.5%, while midcap and small cap indices registered declines of 6.3% & 8.6%, respectively. (as of 08th Aug 2025)
- During this period, barring FMCG (which is flat) most other sectors have witnessed declines with IT (-12%), Real Estate (-10%) and Defense (-14%) down the most.

Global macro

- From India's perspective, the global macro environment has turned dramatically over the last few weeks, from being a front-runner in potentially signing a trade deal with the US, India now finds itself staring at a 50% tariff (one of the highest amongst all countries) from 27th Aug 2025.
- This development has contributed to the weakness in the markets as the likelihood of a trade deal being signed with the United States before the 27th Aug deadline appears remote as of now.
- Other large trading partners of the United States have been able to secure a deal with tariffs in the 10-25% range. This will result in a sharp increase in the average tariff on US imports over the next few months, impact of the same on global trade is yet to be seen.
- In its latest monetary policy meeting, the US Federal Reserve maintained status quo on interest rates for the fifth time in a row. However, subsequent week jobs report has now increased the likelihood of the Fed cutting interest in its September meeting.

Domestic macro

- With the prospect of a high tariff on US exports now looming large, India's domestic macro-outlook has somewhat worsened in recent weeks.
- Expectations range from a 25-60bps impact on India's GDP growth in FY26 if the tariff situation is not resolved along side other second order repercussions.

Equity Market Outlook (2/2)

LIFE GOALS. DONE.

- For now, the headline CPI inflation continues to register new multi-year lows with the latest reading for June coming in at 2.1% which is the lowest since Jan-2019.
- However, despite inflation now being close to the lower end of RBI's inflation target band the central bank resisted from further lowering the interest rates in its August policy, possibly waiting for the final outcome of the tariff situation.

Indian markets

- Equity market outlook has turned uncertain post the escalation on tariffs on Indian exports to the United States.
- The situation is yet to settle down and there is a possibility that the final tariff rate would be lower than the 50% that is expected to be imposed from 27th August. Nonetheless the development is negative and will have direct and indirect impact on the Indian economy in the near term.
- Besides the direct impact on certain sectors that had meaningful exports to the United States the undoing of the India advantage as an alternative to Chinese supply chain is a bigger negative of this development.
- Q1FY26 earnings have been broadly in line with expectations with Nifty50 companies on track to register a mid-single digit earnings growth. However, management commentary on future growth remains cautious partly impacted by the developing situation on the tariff front.
- After four months of positive flows since March, FPI flows have turned sharply negative in July and August and have reversed all of the previous inflows. DII flows continue to be resilient but is getting partially absorbed by a strong primary market activity (IPO, QIP, promoter / PE sales etc.)
- Nifty50 is currently trading at ~20x one-year forward earnings which is slightly higher than the historical average.
- The worsening of the tariff situation and continued FPI outflows have impacted market sentiments in the recent weeks.
- A positive outcome of the tariff issue combined with the expected corporate earnings recovery starting Q2FY26 may provide fillip for a further move up in the markets as valuations have come down post a reasonable period of time-correction.
- Hence, we continue to maintain our moderately positive outlook for equities at this juncture with a preference for large caps. Continued weakness in corporate earnings, further worsening of the trade tensions and exuberant activity in the primary markets are the keys risks to our view.

Fixed Income Market Outlook

LIFE GOALS. DONE.

- **Domestic Inflation: Subdue**- RBI revised downward inflation projection by 60bps to 3.1% for FY26.
- **Monsoon:** Monsoon has been above long-term average by 9% 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
  - RBI MPC kept status quo of policy rate and stance in its Aug 25 policy meeting
  - RBI communicated wait and watch approach for future actions on rates
  - RBI projects 6.5% GDP for FY26, with close watch on evolving data
  - **Rates outlook :** We expect 10-year G-Sec in the range of 6.25% to 6.50% with current steepening to stay put for longer period of time.
- **Positions:** Based on the above outlook, we continue to prefer 3-year to 5-year corporate bond segment and long end of the G-Sec curve
- **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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