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Weekly Market Overview

21.07.2025

Market Overview & Asset Class Performance

- Nifty was down **0.72%** last week. Mid-Cap index gained **0.79%** and Small-Cap index closed **1.05%** higher.
- YTD, Large-Caps have outperformed Mid and Small-Caps, with Nifty up **~8%**, Mid-Caps **~4%**, and Small-Caps largely flat.
- Crude oil prices have declined **(~7% YTD)**, while gold has shown strong resilience closing at **$3,350/oz**. YTD gold is already up **~28%**.
- INR has remained stable, currently around **86.15/USD**.

Market Performance

NIFTY	~0.72%	↓
S&P 500	~0.01%	↓
NASDAQ	~0.05%	↑
Hang Seng Index	~0.22%	↑
Mid-Caps	~0.79%	↑
Small-Caps	~1.05%	↑

Global Macroeconomic Updates

- US markets ended positive last week SPX gained **0.59%**. Key European indices gained by **0.5%**. Hang Seng Index was down **1.5%**. Nasdaq was up **2.8%**. YTD, SPX is up **7%**, Nasdaq is up **8.2%**.
- US 10-year bond yields have inched up again, hovering around **4.43%**, reflecting sticky inflation and shifting rate expectations.
- US CPI for June rose to **2.7%** YoY, exceeding expectations and continuing to track above the Fed's 2% target.
- Japan's 30-year bond yield touched a record high, signaling global rate concerns linked to sovereign debt and deficits.

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India Macro & Flows

- Indian 10-year bond yield remains stable in the **6.29–6.30%** range.
- Foreign portfolio investors (FPIs) remain net sellers in equities, with cumulative outflows of **₹1.3 lakh crore** CYTD.
- In derivatives, FPI short positions are at their highest levels since early 2025, comprising nearly **85%** of their positions.
- Domestic institutions (DIIs) have continued to absorb supply, buying **~$41 billion** YTD.

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Inflation & Monetary Policy

India's inflation eases, policy steady

- India's June CPI fell to **2.1%**, the lowest since 2019, driven by food price contraction.
- Global inflation remains elevated, particularly in the US due to rising prices of imported goods and tariff-related impacts.
- RBI policy remains in wait-and-watch mode; though inflation is benign, uncertainty in global policy deters further rate action.
- A CRR cut of 100 bps between September and November will lead to significant liquidity infusion.

Fixed Income Strategy

Accrual focus as yields peak

- Accrual strategies remain the preferred approach, particularly in the 2 to 5 years duration segment.
- Interest rates are likely to soften, making it a good time to lock in yields through select credit opportunities.
- Continued allocation to structured credit funds, select high-yield bonds, and other private fixed income strategies is encouraged.

Sectoral & Market Observations

Accrual focus as yields peak

- Corporate earnings in Q1 have been mixed, indicating early signs of consolidation.
- Banking and large-cap exposure has performed well.
- Valuations remain rich, suggesting a range-bound market in the near term, pending visible earnings recovery.

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