



Alpha Strategist – August’25

“Stay the Course”

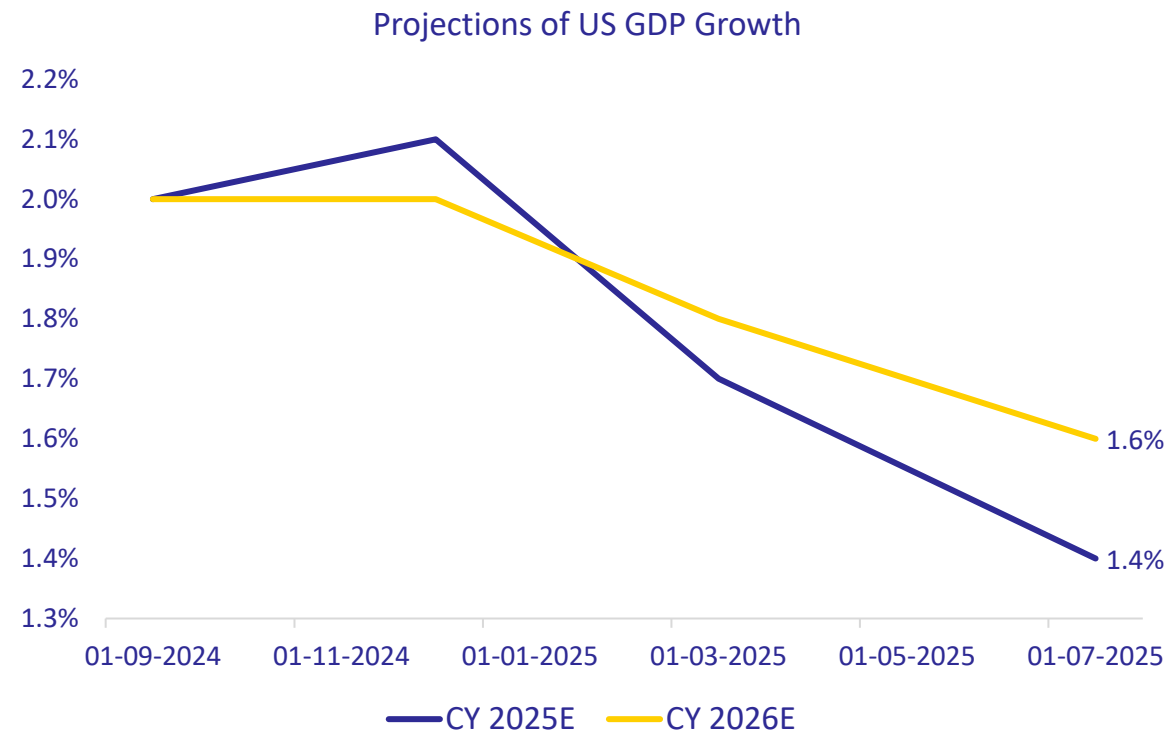
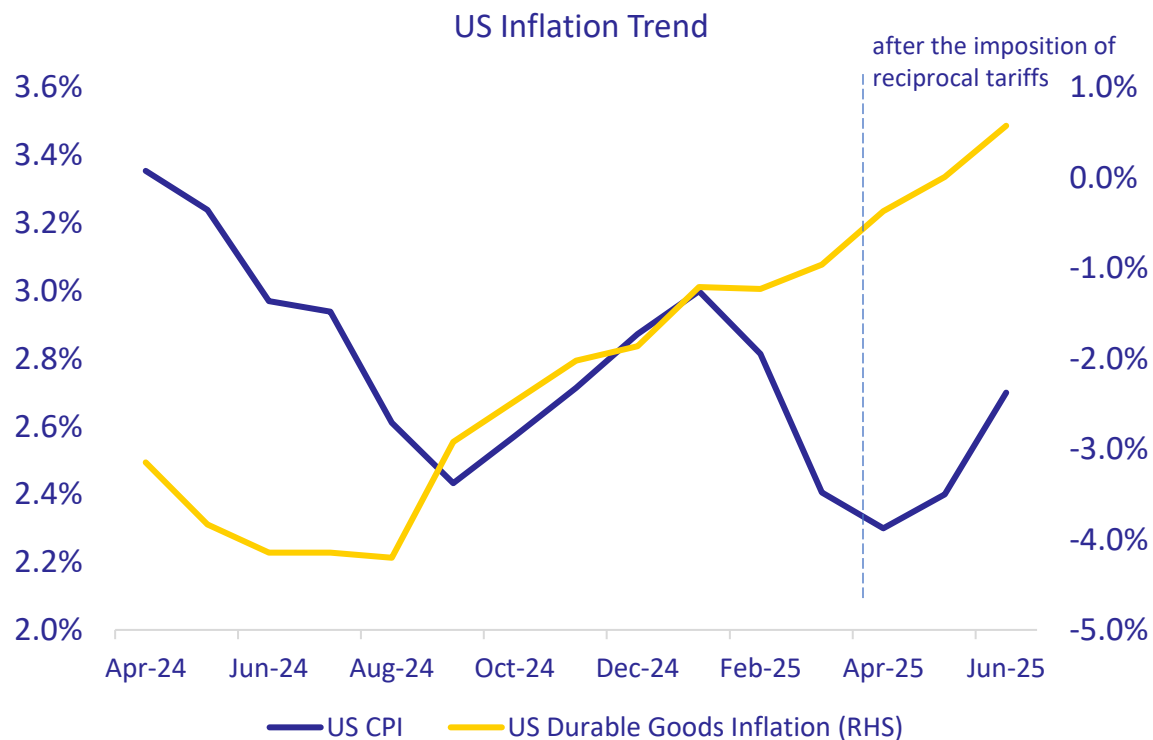
Summary

- In 2025, the global macro landscape is marked by conflicting forces. In the U.S., inflation has re-accelerated even as growth projections are revised lower, placing the Federal Reserve at a crossroads where dovish dissent is beginning to emerge.
- **Worldwide, most major central banks have shifted to rate cuts.** Despite the global easing trend, long-term yields in many markets have climbed—driven by persistent inflation concerns and supply-demand imbalances in sovereign debt.
- The Dollar Index has recorded its steepest H1 decline since 1973, yet the INR has bucked the trend by weakening ~2% while most peers appreciated, amplifying the impact of evolving trade frictions.
- The newly imposed reciprocal tariffs have left India facing one of the steepest effective duty burdens among its Asian EM peers, threatening export competitiveness in key sectors. Even so, volatility gauges (VIX) in both India and the U.S. remain subdued, suggesting that much of this policy and geopolitical uncertainty may not pose any significant risk.
- Keeping tariffs aside, domestic demand is expected to be boosted by declining rates, tax cuts, improving rural wage growth and falling inflation.
- However, momentum pick up in the markets has led to an increase in supply of equities as well, resulting in the capping of upside move.
- Nifty index is trading around the historical average on a 1-year forward basis. However, valuations in mid and small caps, continue to trade at a significant premium, reinforcing the need for selective participation. Fall in rates along with consistent flows in equities may keep the valuation elevated.
- Given supportive structural trends but heightened near-term uncertainty, we recommend to **Stay the course** - anchoring investment strategy on India's structural growth drivers while navigating near-term volatility with discipline and selective positioning.
- Equity stance remains neutral – 65% large cap and 35% in Mid & Small cap. Lumpsum deployment in the hybrid strategies while a staggered approach for pure equity oriented strategies.
- In Fixed income, we continue to suggest allocation to accrual strategies across the credit spectrum.
- From an asset allocation perspective, we maintain a neutral stance on gold. Silver can be considered a tactical play.



Highlights

US : Inflation Up and GDP down (projected)



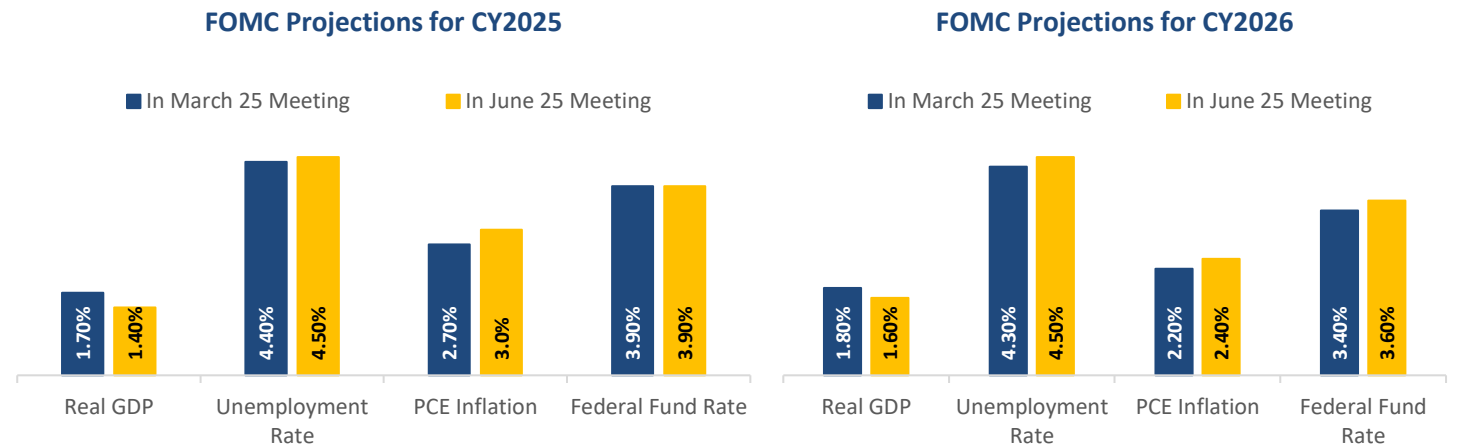
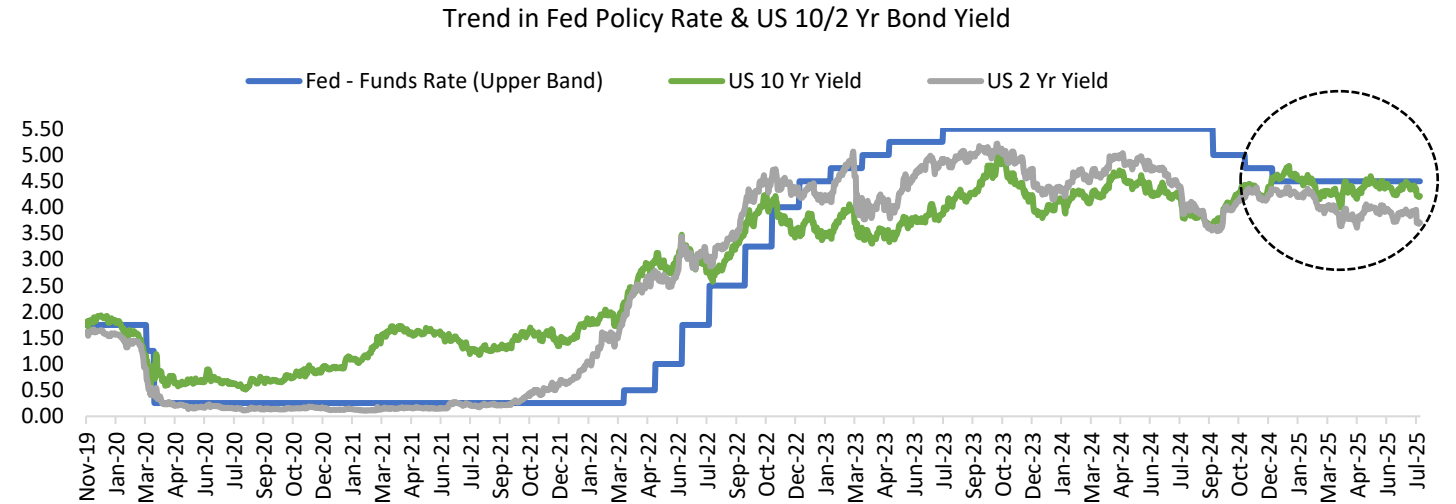
- U.S. CPI has re-accelerated into mid-2025 (2.7% y/y in June and tracking ~2.8–2.9% for July), with tariff-exposed ‘goods’ pockets—furniture, appliances, apparel—showing renewed price pressure as the BLS durables index ticks higher.
- At the same time, U.S. growth forecasts have been marked down reflecting tariff drag, softer labor momentum, and policy uncertainty

Source: FRED, Federal Reserve, Investing.com, Internal Research

FOMC Holds Steady

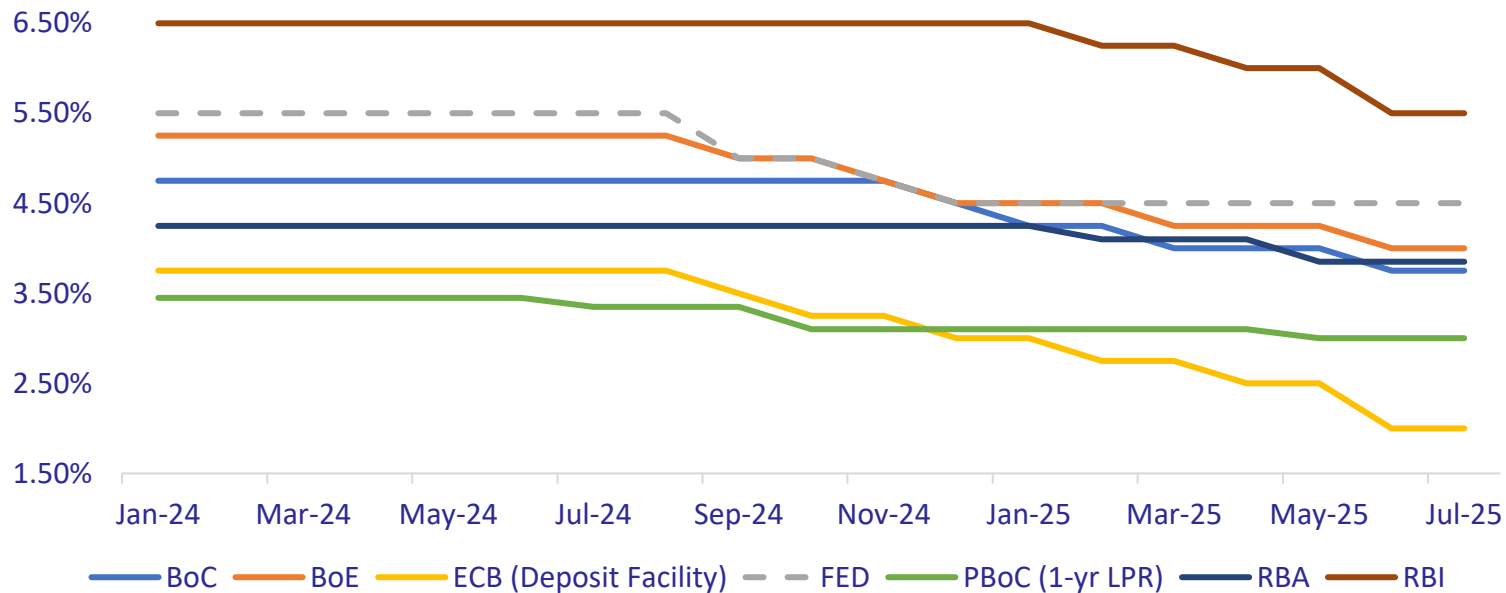
Dovish Dissent Emerges Amid Growth & Inflation Crosswinds

Category	Summary
Policy Rate Decision	Federal funds rate held at 4.25%–4.50% , unchanged for the 5th consecutive meeting
Rationale & Outlook	A cautious, data-dependent approach, noting elevated uncertainty around inflation, growth, and trade policy
Voting Split	9 voted to hold, 2 dissented —first dual dissent in over 30 years
Economic Assessment	Q2 GDP rose ~3% , labor market remains solid though signs of softening exist. Inflation remains above 2% partly due to tariffs
Fed Chair Commentary	Powell stated policy remains modestly restrictive , inflation effects from tariffs could be temporary but risks persist; no commitment to September cut



Global – Policy rates coming down, yields still high

Movement in Policy Rates



Country	Rise / (Fall) in Yields (Jan'24 to 6 th Aug'25)
UK 10 Yr	0.9%
Germany 10 Yr	0.6%
US 10 Yr	0.3%
AUS 10 Yr	0.2%
Canada 10 Yr	0.2%
India 10 Yr	(0.8%)
China 10 Yr	(0.9%)

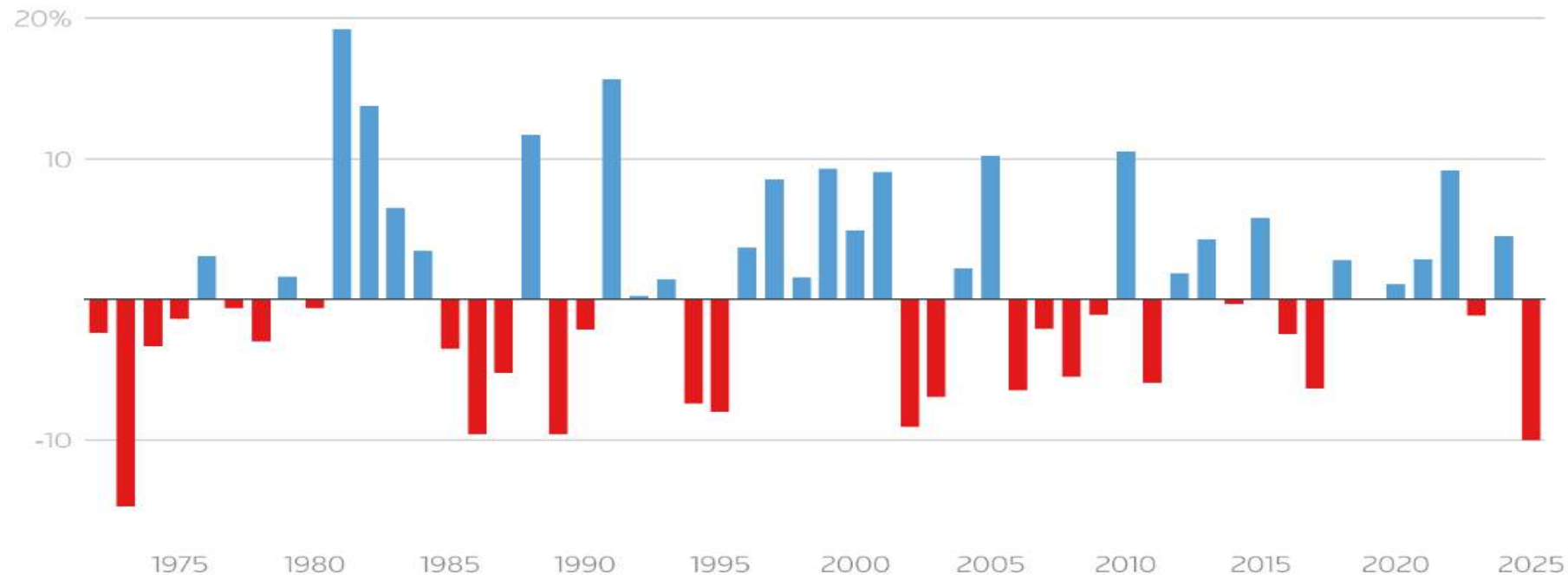
- While major central banks have eased policy rates through 2025 to support slowing growth, the U.S. Fed has held rates steady since late 2024, anchoring a relatively tighter stance globally.
- Despite the policy easing, 10-year govt bond yields have stayed elevated—or even risen—in several economies, reflecting persistent inflation risk, heavy sovereign issuance, and investor reassessment of long-term neutral rates.

Source: Various Central Banks, Internal Research

Dollar Index – record first half loss in over 50 years...

Biggest first-half loss since 1973

Dollar's DXY index records biggest H1 drop of the free-floating exchange rate era



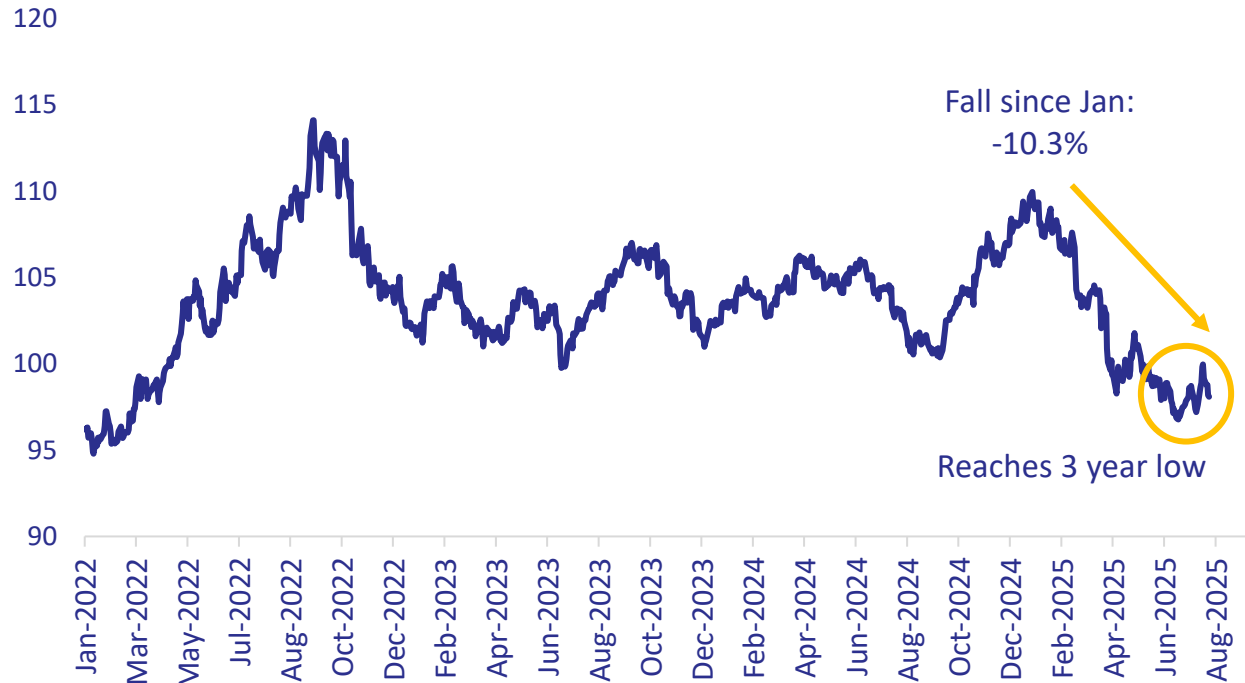
- DXY posted its steepest H1 decline since the series began in 1973, driven by narrowing rate differentials among countries, softer U.S. growth expectations, and shifting capital flows towards other markets.

Source: Reuters

... but no relief for the rupee

DXY under pressure led by tariffs, de-dollarization and rising debt

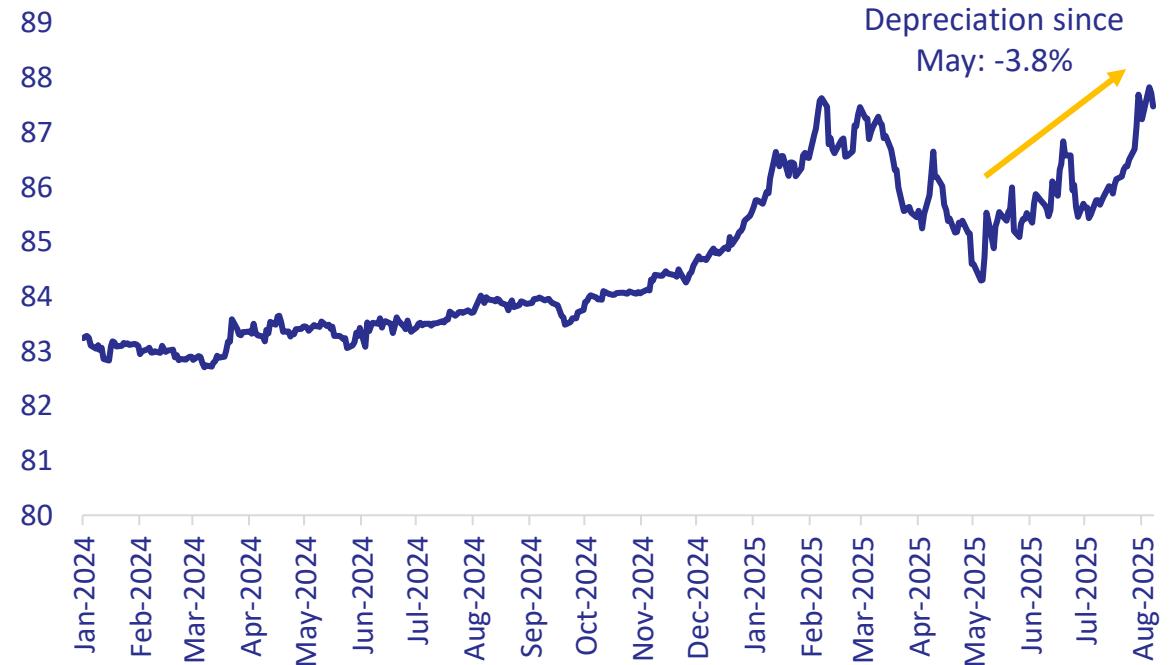
DXY Chart



The US Dollar Index (DXY) declined by 11.4% in H1 2025, marking its worst first-half performance since 1973.

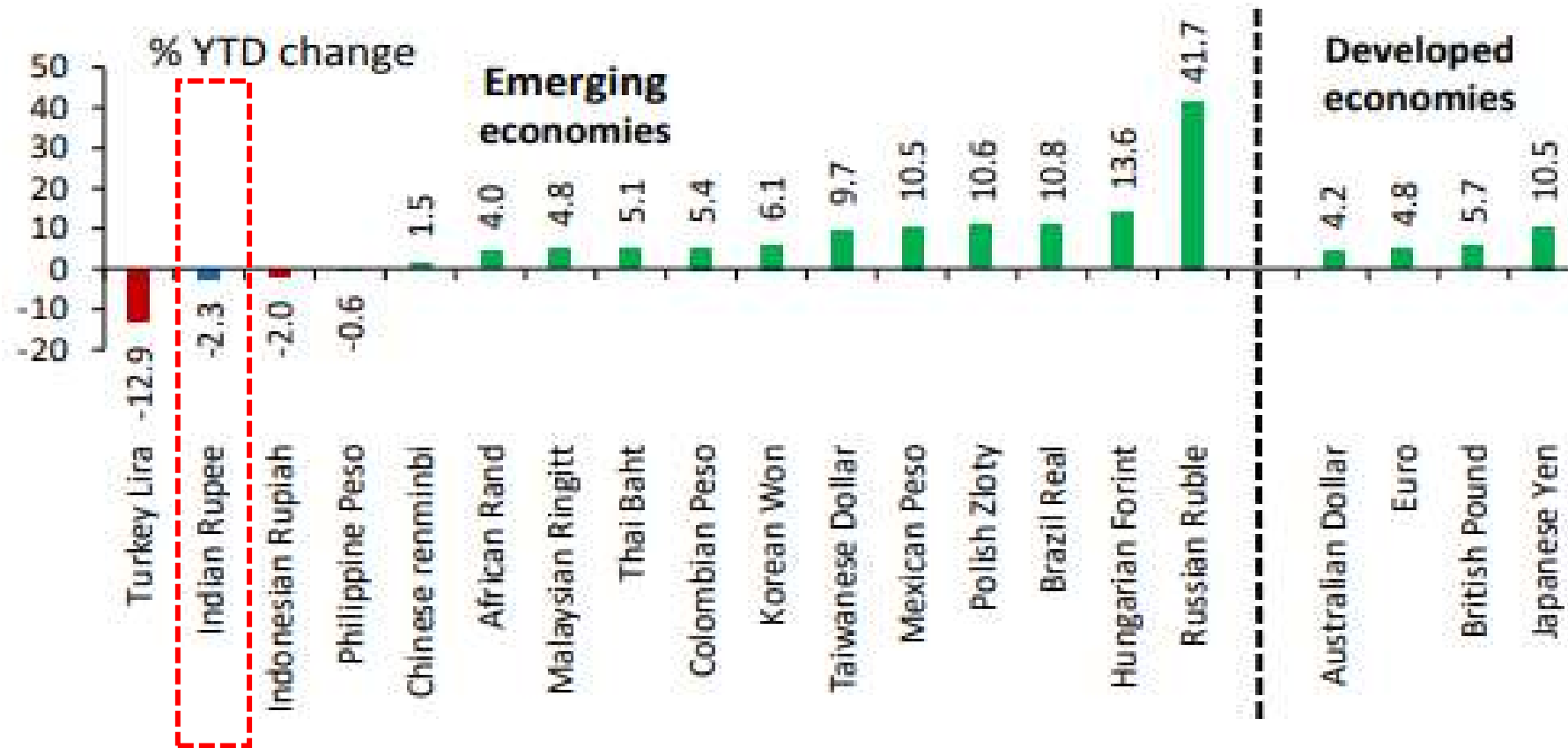
Rupee weakens amid, tariff hikes, oil import uncertainties and FII outflows

USD INR Chart



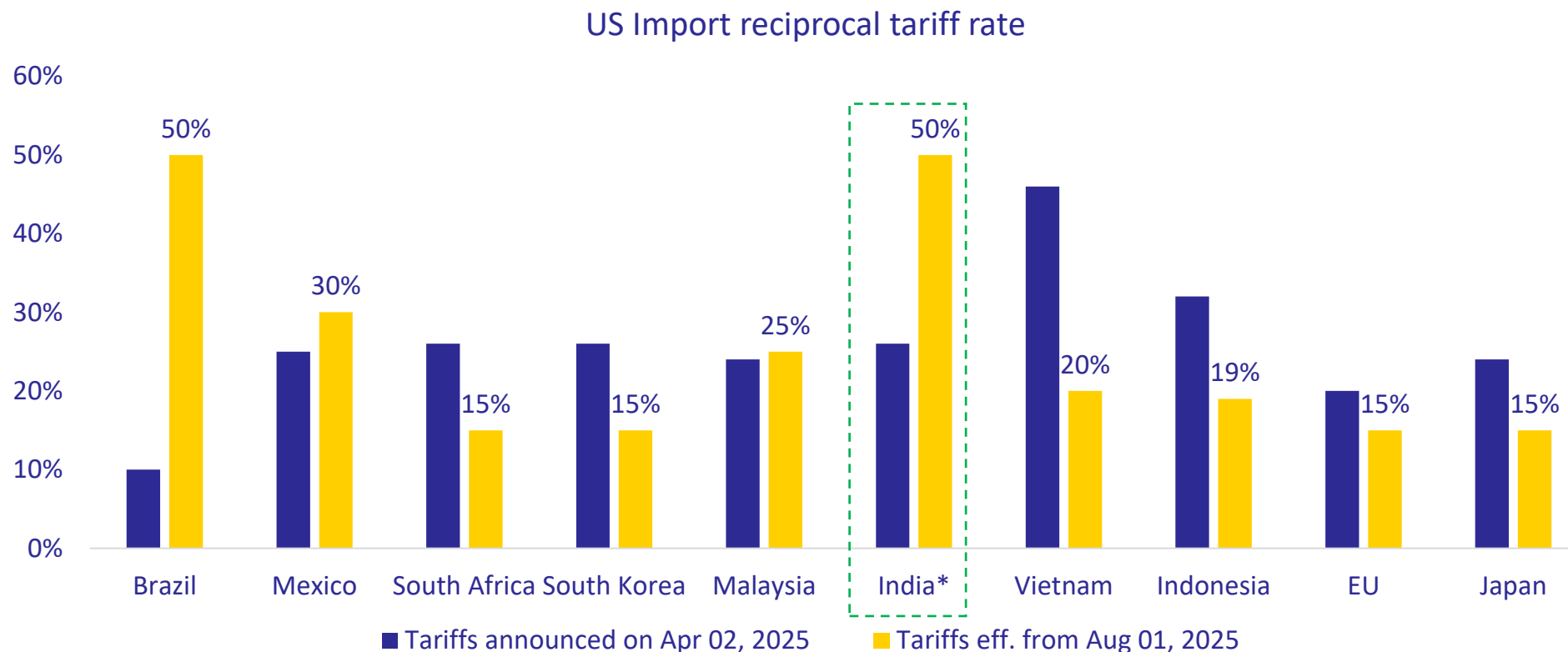
Inspite of the weakening of the DXY, the rupee depreciated by 3.8% since May'25

Major currencies gain as DXY slips



- On a YTD basis, most major currencies have appreciated against the U.S. dollar, reflecting the DXY's sharp H1 decline.
- Asian currencies have benefited with the weakening of the DXY, however India has been amongst the worst performing due to concerns around tariffs, FII outflows and oil price volatility.

India has been levied with highest tariffs

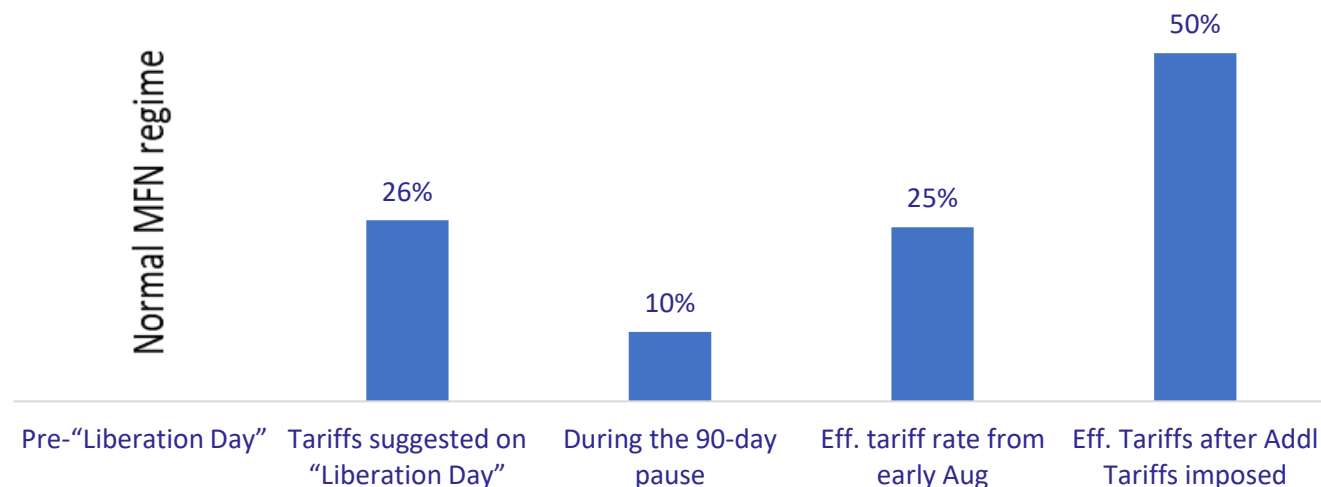


*Of the total 50% tariffs imposed, 25% is effective from 7th August 2025 and balance 25% announced Apr 2, 2025; baseline starts Apr 5; country-specific from Apr 9 (planned)

- Following the Aug 2025 rollout of U.S. 'reciprocal tariffs', India now faces among the steepest overall duties globally versus far lower rates for key Asian EM peers. This widens India's trade disadvantage in sectors like textiles, gems & jewelry, and engineering goods, where competitors enjoy preferential market access through bilateral

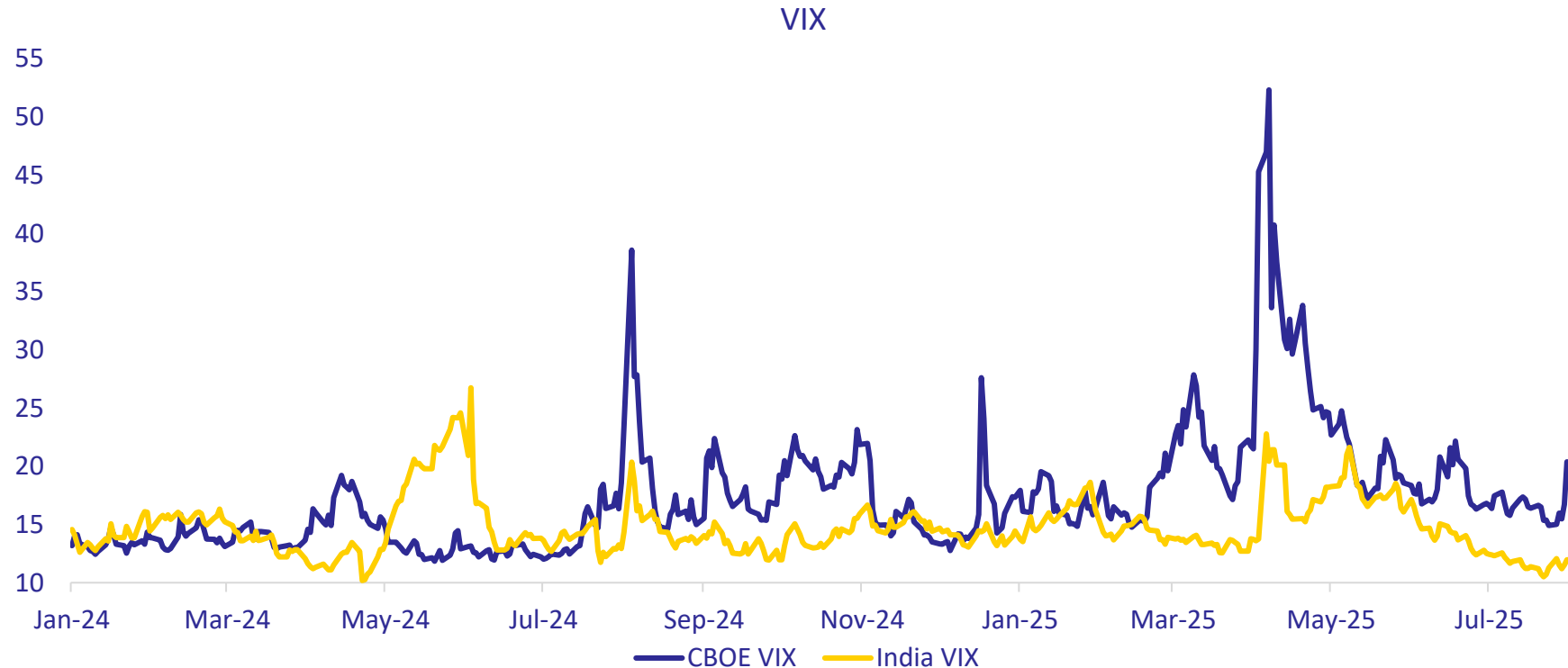
Volatile Tariff Landscape – Too many Flipflops

Volatile tariff environment



Bucket	Pre-"Liberation Day"	Tariffs suggested on "Liberation Day"	During the 90-day pause	Effective tariff rate from early August	Eff. Tariffs after additional tariffs imposed
Dates	Before Apr 5, 2025	Announced Apr 2, 2025; baseline starts Apr 5; country-specific from Apr 9 (planned)	Apr 9 – Jul 9, 2025; extended to Aug 1	EO signed Jul 31; legally effective from Aug 7, 2025	Effective from Aug 27, 2025
Legal instrument / event	Normal MFN regime	Universal 10% baseline + higher "reciprocal" rates by country	Temporarily suspended the country-specific "reciprocal" rates (except China); extension order on Jul 7	EO "Further Modifying the Reciprocal Tariff Rates"	Adds another +25 % ad valorem on Indian goods under IEEPA/Russia-oil finding
India's tariff treatment	No across-the-board tariff. Steel +25% / Aluminum +10%	Proposed rate: 26% (would replace the baseline for India)	Faced only the 10% baseline during the pause	25% additional ad valorem	25% (prev.) + 25% (new) = 50%

VIX at Low levels – Risks already factored in & Played out ?



- Despite heightened tariff-led, policy, and geopolitical uncertainty, VIX levels in both India and the U.S. have remained relatively subdued, suggesting markets are not concerned about any near term risks
- This likely reflects investors' belief that much of the risk is already discounted, ample liquidity cushions are in place, and event timelines are too extended to trigger immediate positioning shifts.

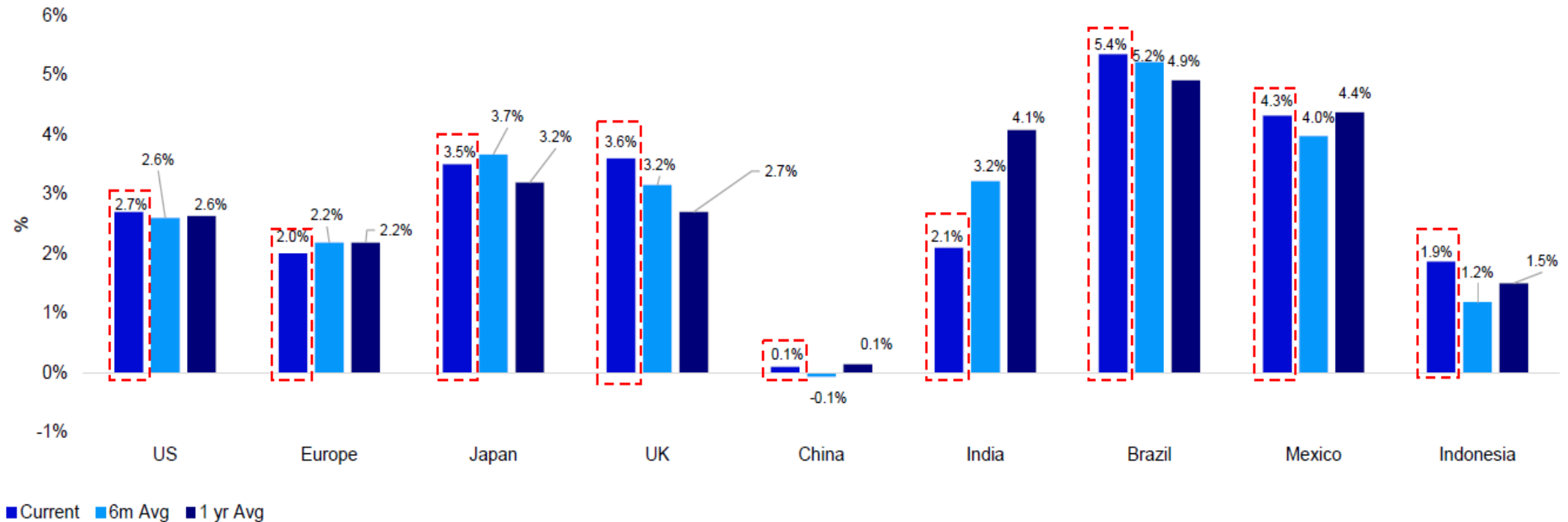
Source: Investing.com, Internal Research

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India – Standing out with Inflation trending lower

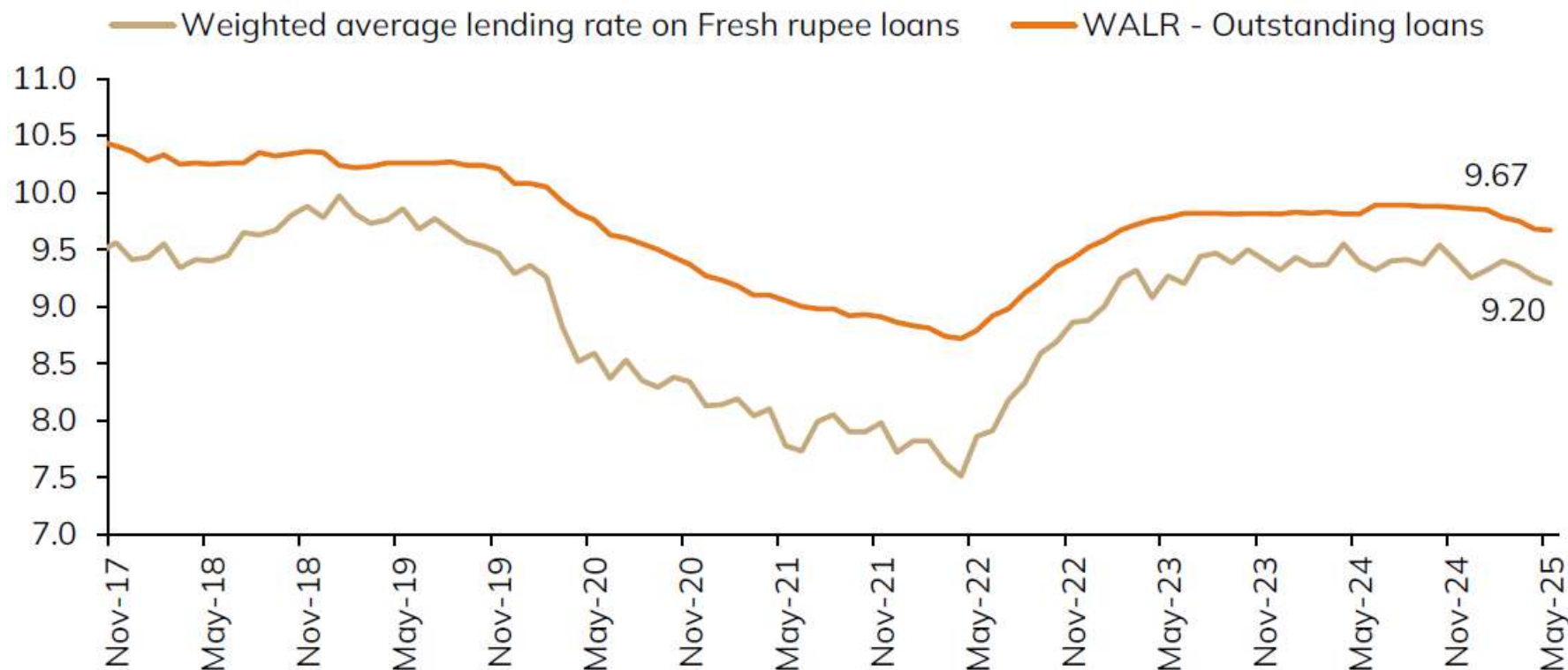
Headline CPI Inflation



- Even amid global trade frictions, commodity volatility, and policy uncertainty, India's inflation has been on a steady downward trajectory through 2025, aided by softening food prices and stable energy costs. This resilience contrasts with many major economies where inflation pressures have re-accelerated, underscoring India's relative macro stability.

Source: Invesco

Transmission of Rate cuts has started

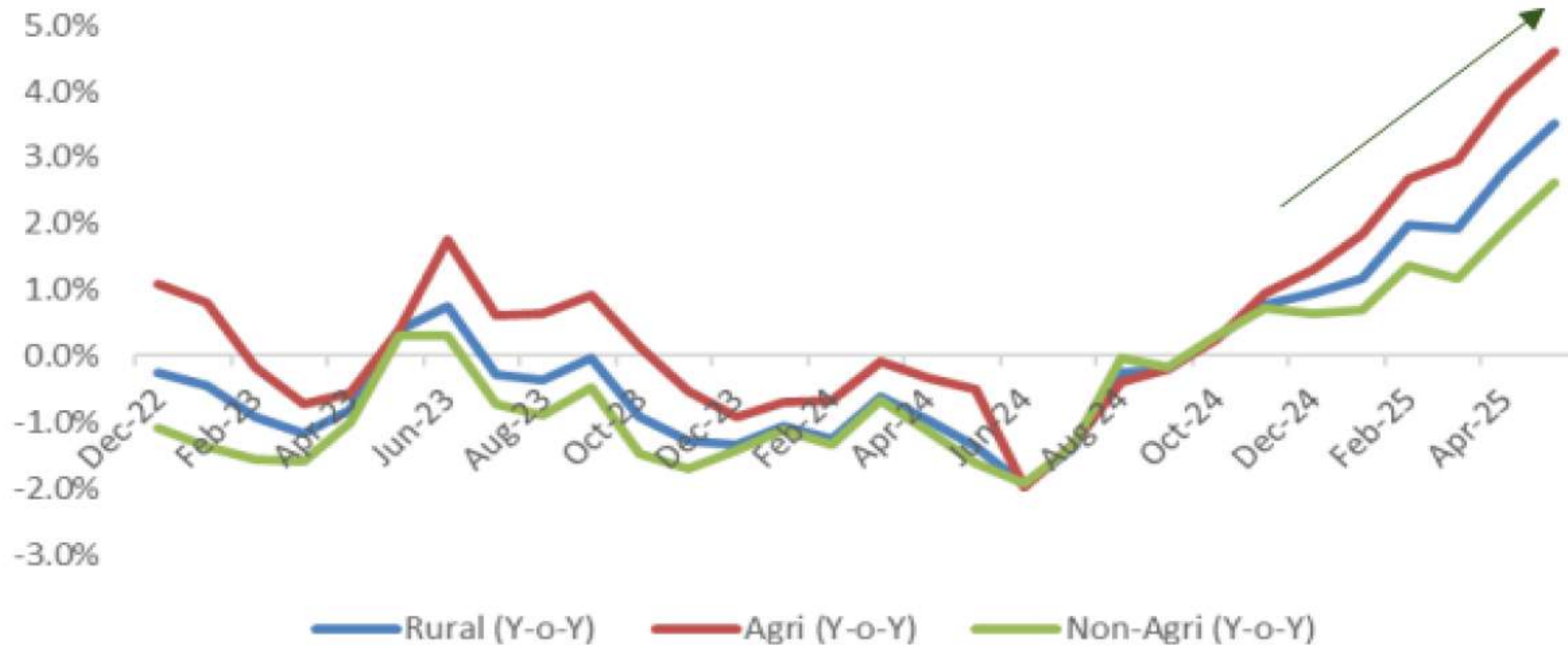


- The RBI's cumulative 100 bps rate cuts in 2025 are now feeding through to the real economy, with the weighted average lending rate on fresh rupee loans showing a clear downward move.
- This improving monetary transmission is expected to support credit demand, particularly in housing, MSMEs, and interest-sensitive consumption segments.

Source: ICICI Securities- India Strategy, WALR - Weighted Average Lending Rate

Rise in rural wage growth

Real Wage Growth (Y-o-Y)



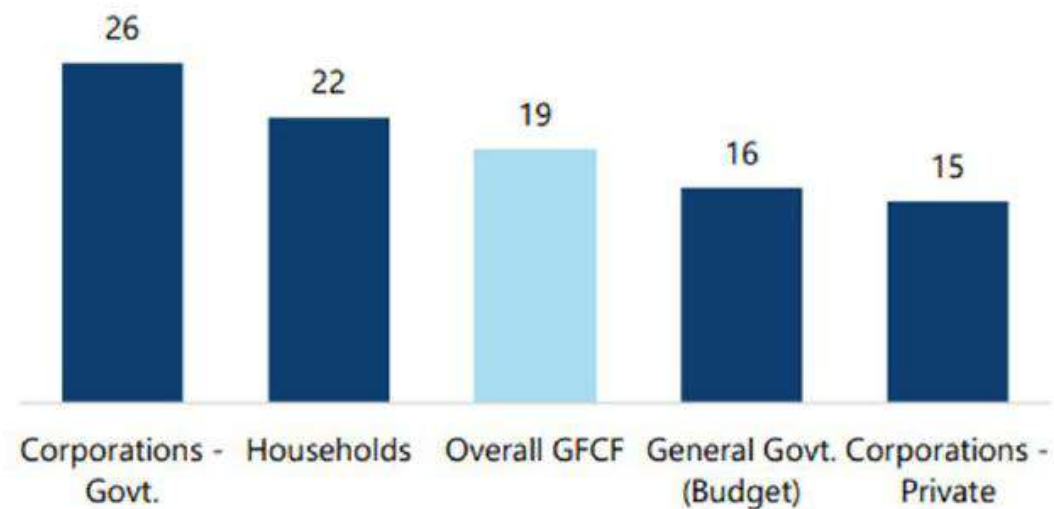
Source: IKIGAI, Bloomberg, CMIE, Equirus

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Private Capex may see some pick up

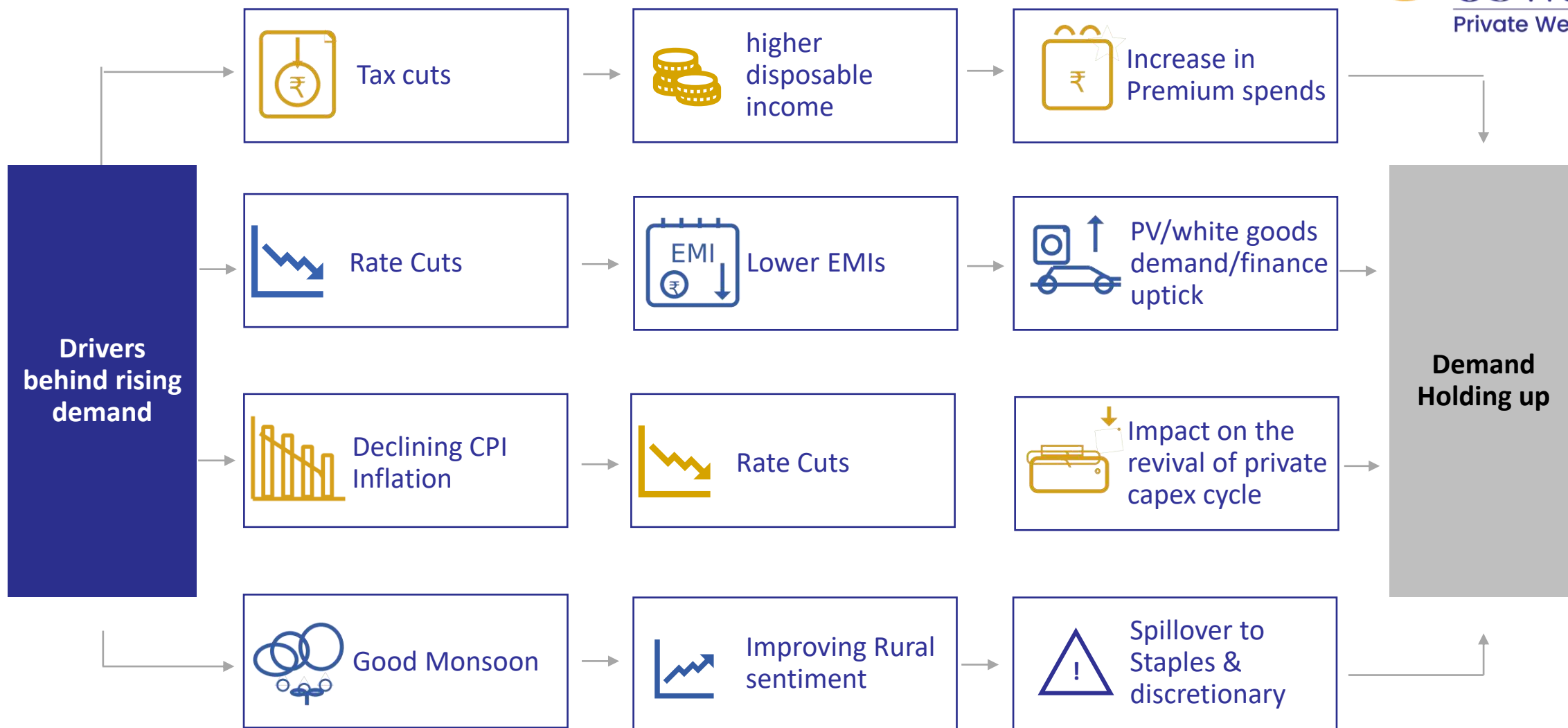
FY21-24 Capex (3Y CAGR)



Listed Cos. Capex Growth



Drivers for Consumption and Private Capex



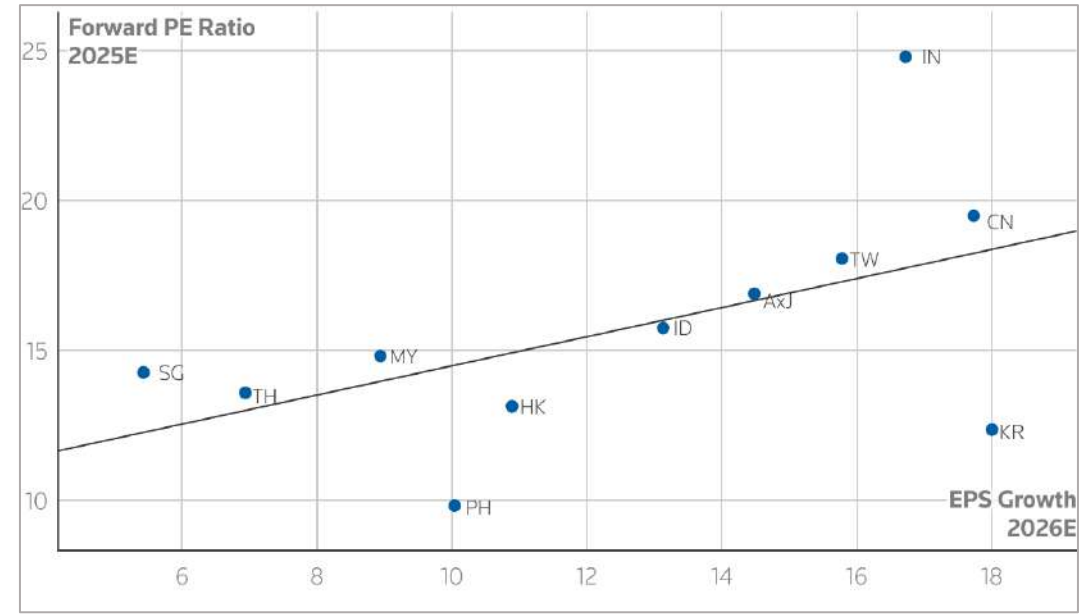
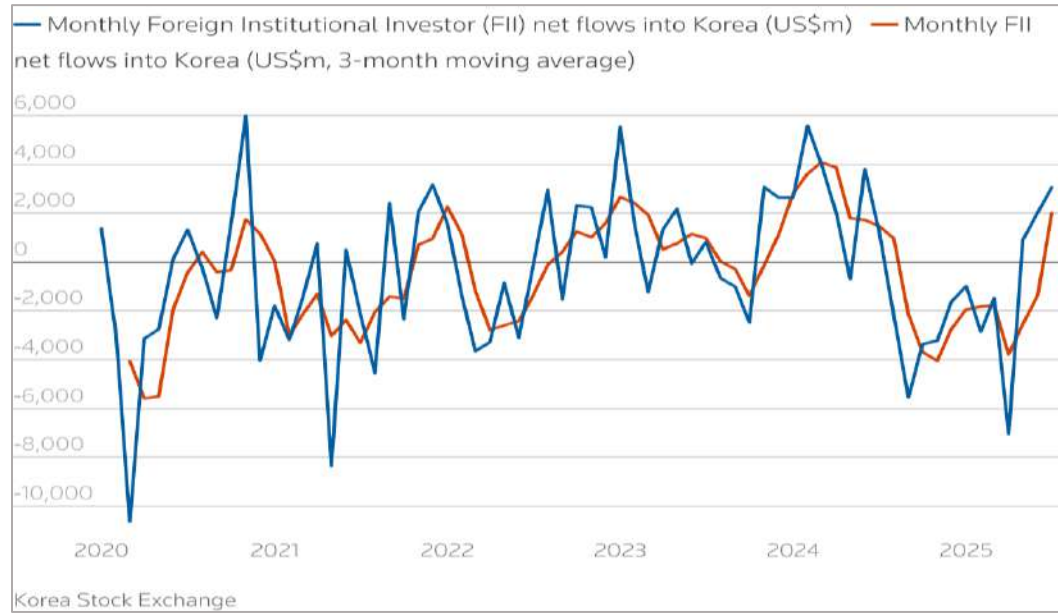
Source: Various Sources

Disclaimer: The above data is for informational purpose. The analysis may or may not be sustained in future.

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FII Flows turned positive towards South Korea



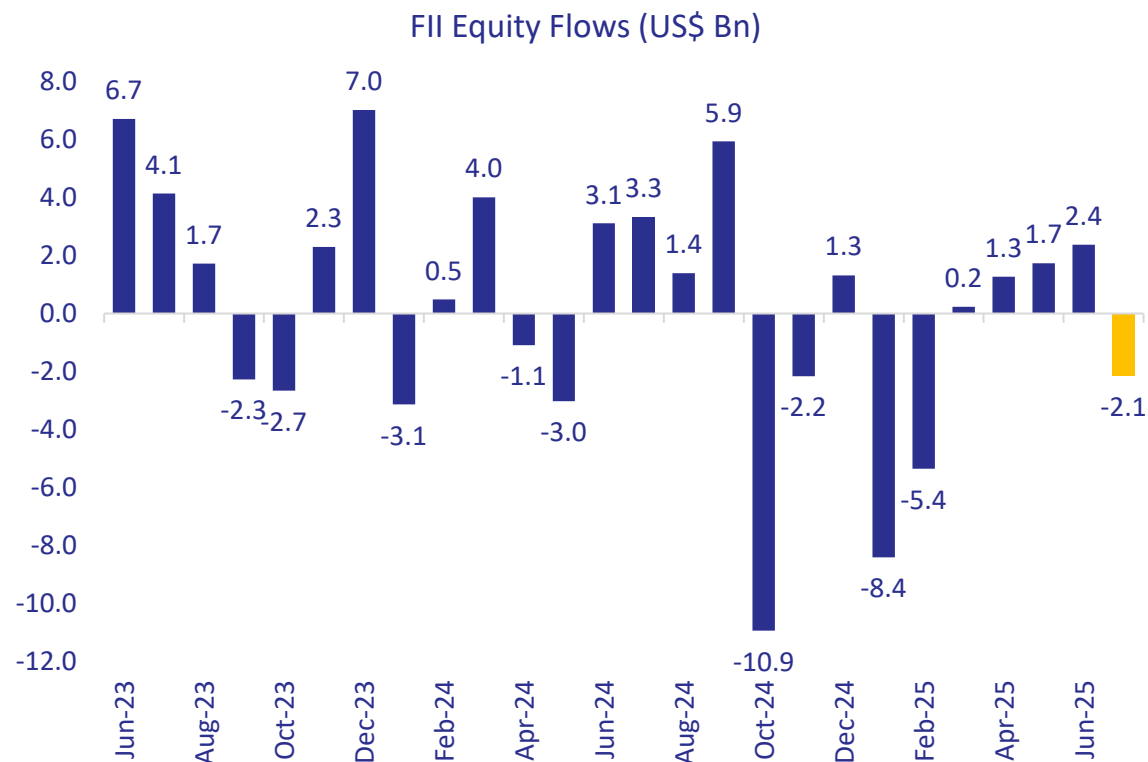
FII inflows to South Korea has been \$4.5bn in July 2025 – owing to a number of factors:

- Shareholder friendly reforms – regulatory changes to protect shareholders and improve corporate governance with “Corporate Value-Up” Program – leading to higher anticipated dividend payouts and share buybacks
 - Rate cuts from Bank of Korea + favorable trade deal struck with the U.S
 - Global defence and infrastructural spending boom
 - AI optimism and technology-led growth
 - Cheapest market valuations across Asia
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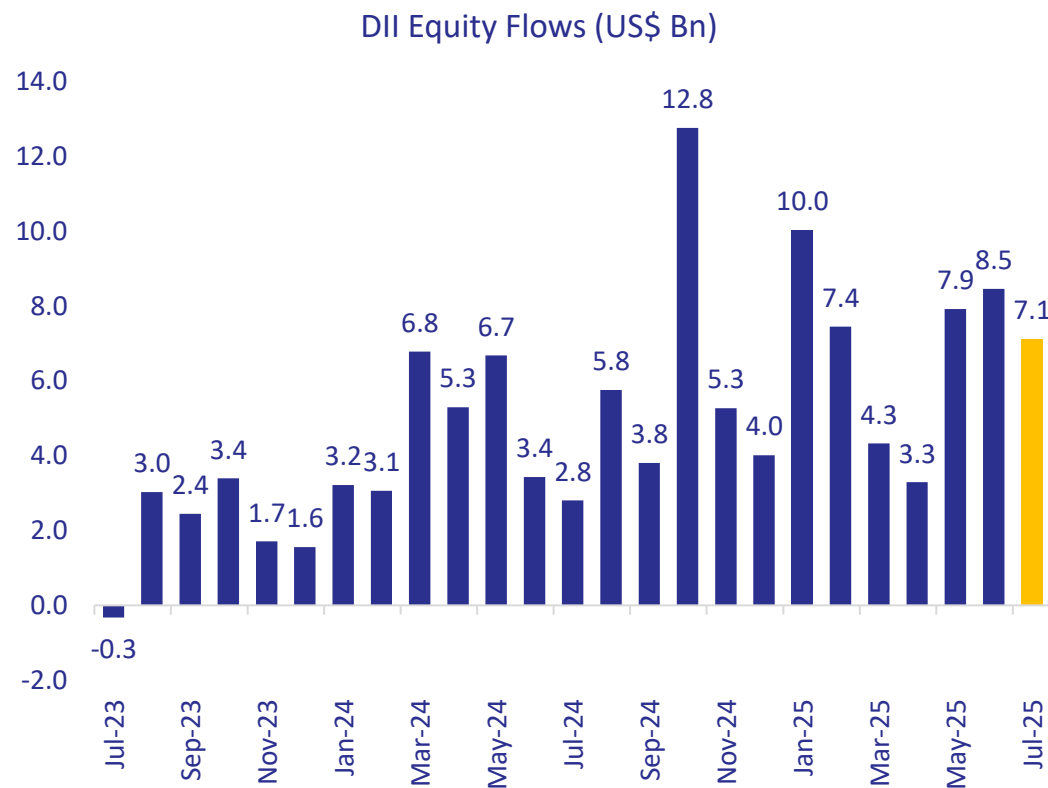
Source: Reuters; Data as of July 2025

FII vs DII Flows

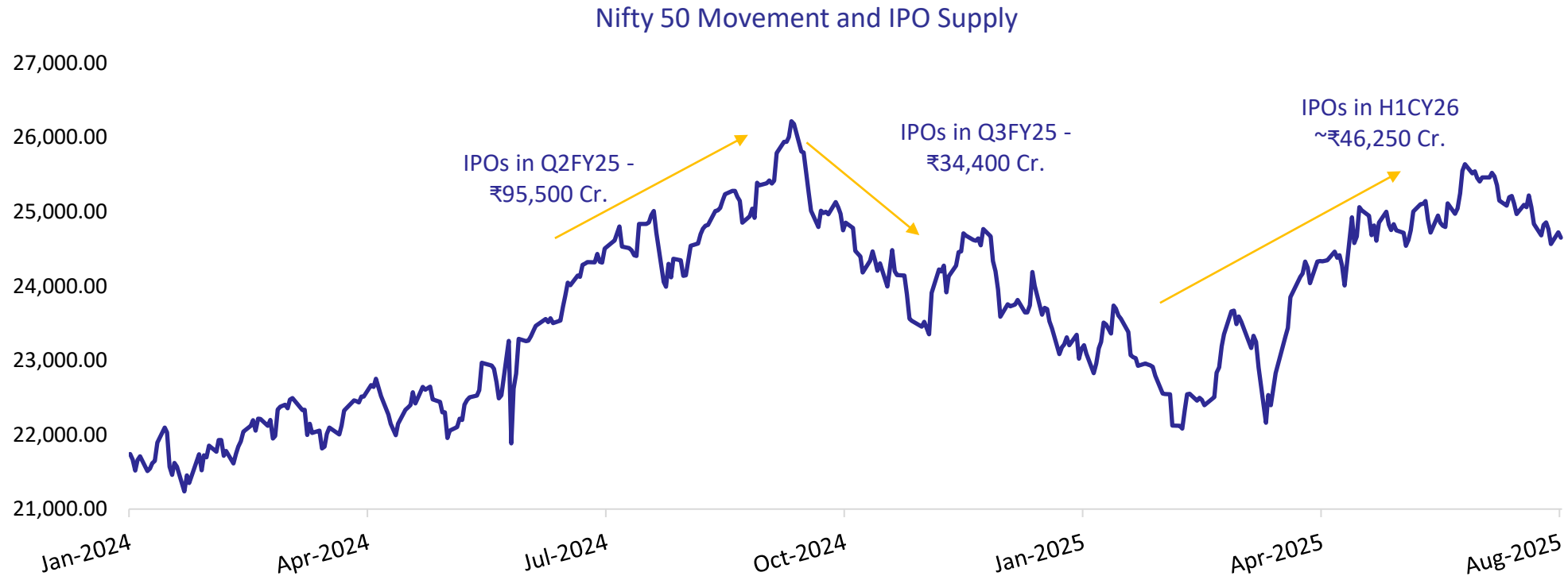
FIIs record outflows into equities in Jul'25 after four months of inflows.



DII's monthly inflows continue to be strong



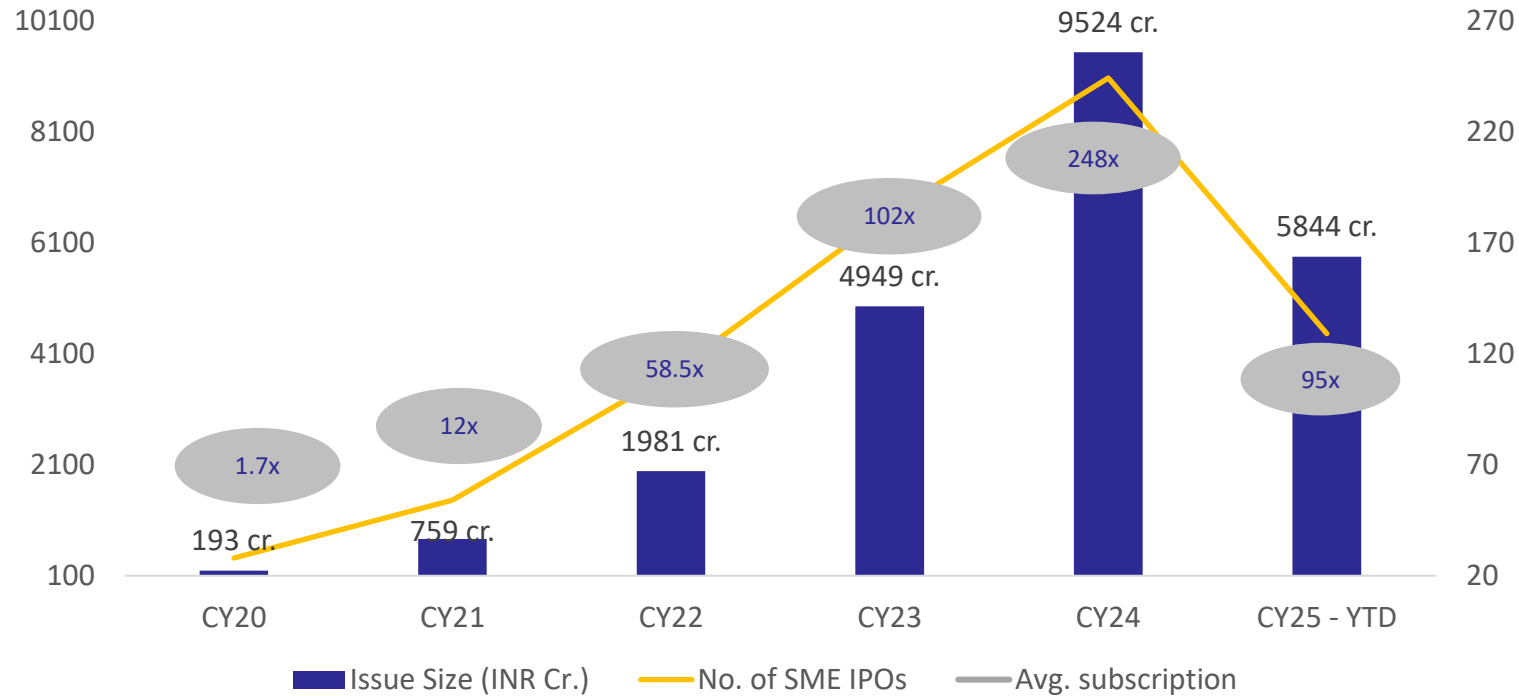
Supply also picks up momentum with rise in markets



- Positive market sentiments have led to rise in supply through IPOs/OFS etc – this might have resulted into limiting the upside of the market.

However market euphoria seems to have moderated

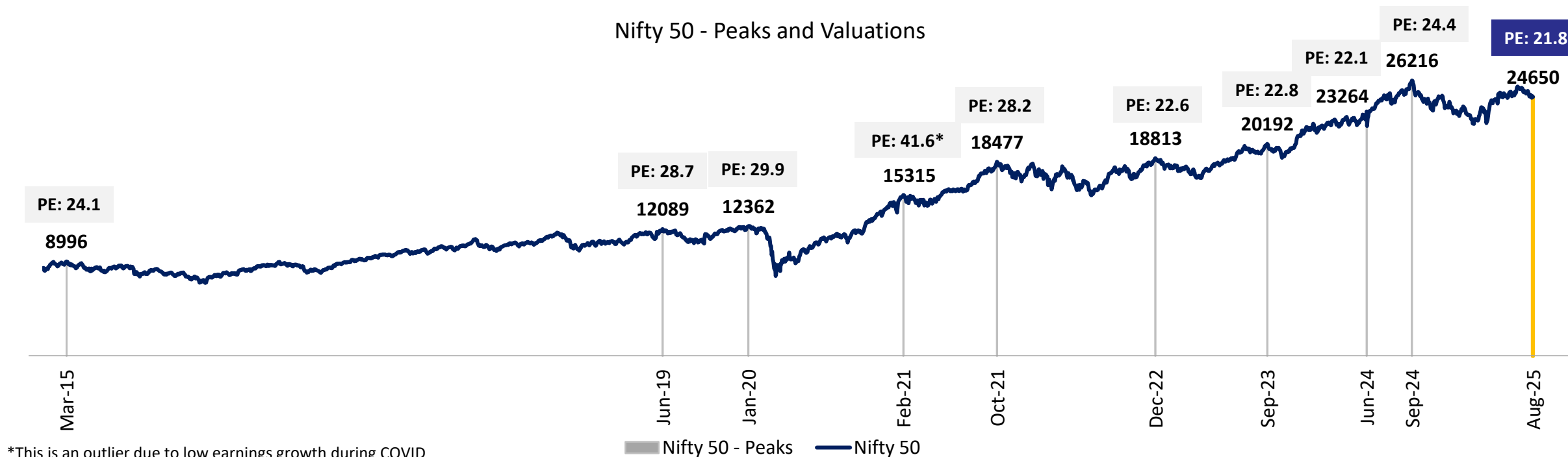
SME IPOs - Significant Growth



	CY20	CY21	CY22	CY23	CY24	CY25 - YTD
Avg. Listing Day Gains (%)	1.0%	15.2%	31.5%	36.4%	60.8%	13.6%

Market Peaks and Valuations

Nifty 50 - Peaks and Valuations



Historically, over the past decade, market peaks have typically coincided with significantly higher valuations than current levels:

- In **7 out of 9 instances**, valuations at the peak were **more than 10% higher** than today.

While current valuations may appear elevated, historical patterns suggest this is **not yet the peak**. Valuations can remain elevated at these levels also supported by lower rates and consistent flows in the equities.

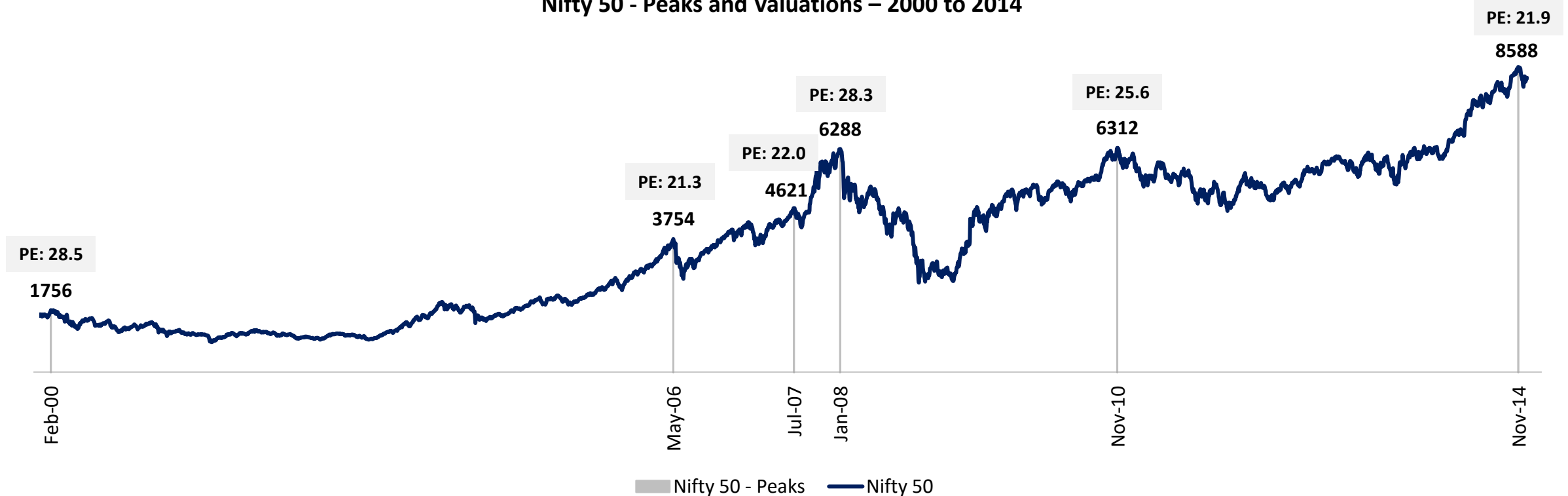
Source: NSE, Internal Research. Data as on 5th August 2025

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Market Peaks and Valuations

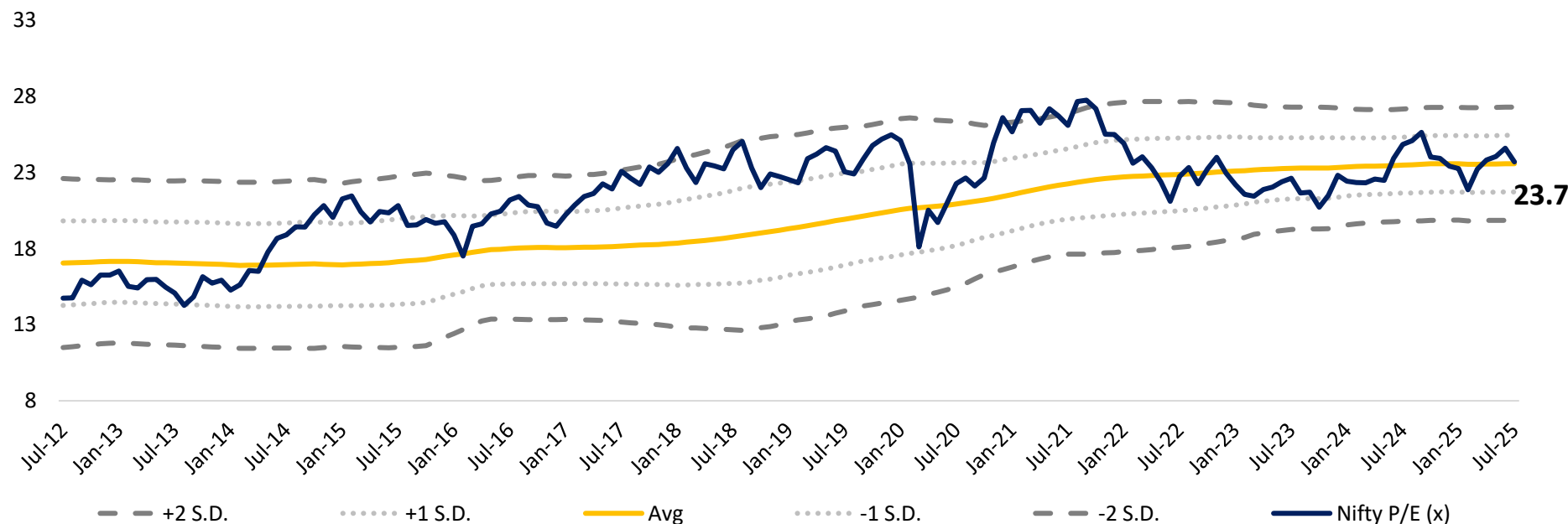
Nifty 50 - Peaks and Valuations – 2000 to 2014



Even for the period of 2000 to 2014, majority of the instances see higher valuations coinciding with market peaks, supporting the data stated for 2015 to 2025.

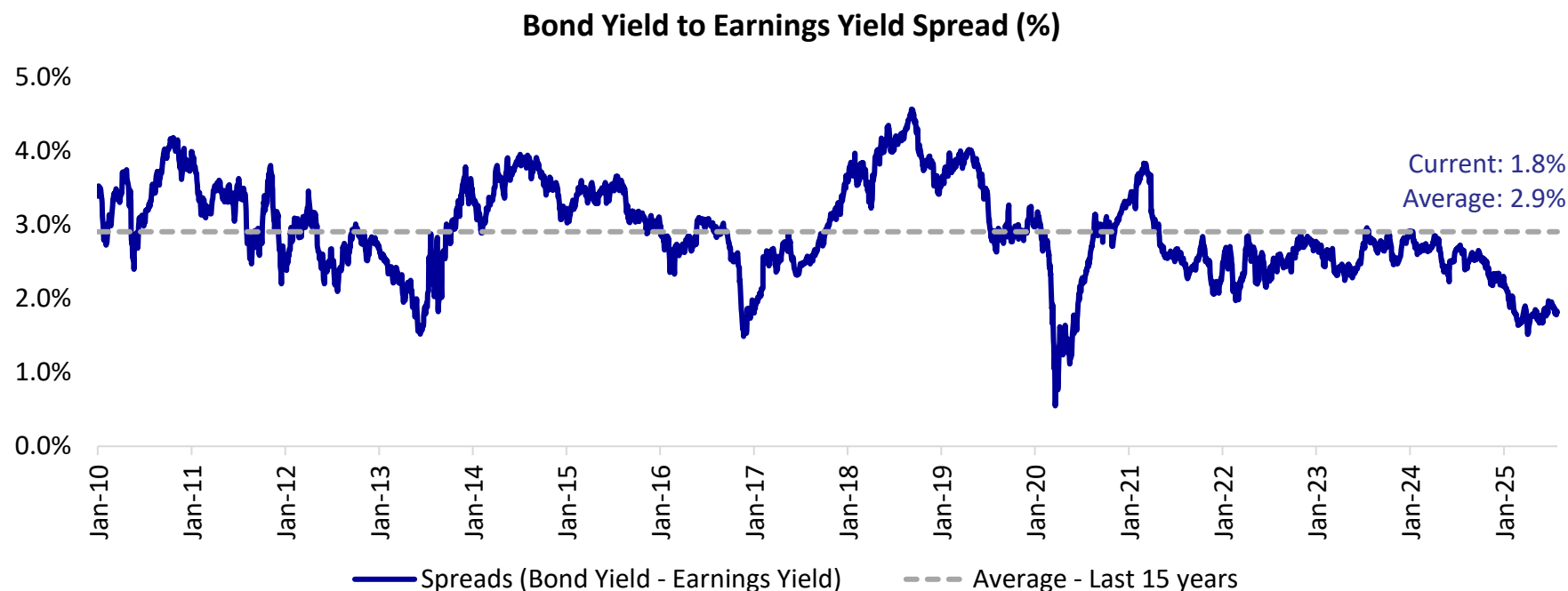
Market Indices Valuations – Based on Trailing Earnings

Nifty 50 Trailing PE – 20 Year Period (7 Year Rolling Average)



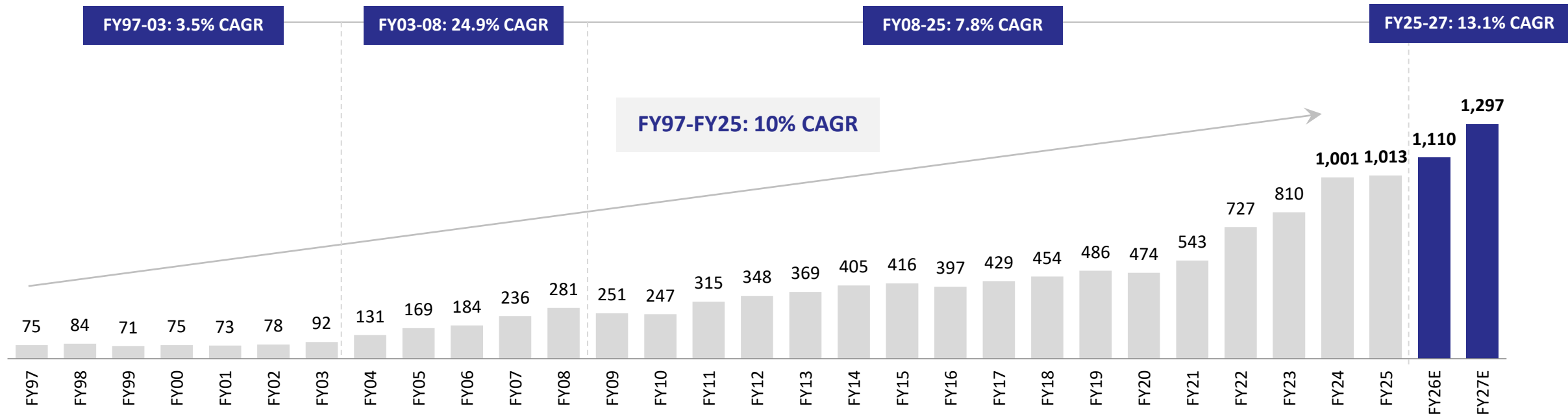
The Nifty 50 trailing P/E is currently aligned with its long-term rolling average, suggesting that valuations are in a fair zone.

Market Indices Valuations – Based on B/Y vs E/Y



Bond Yield vs Earnings Yield: Bond yields have eased since 2022, but earnings yield remains low (4–5%), keeping the yield gap intact. However lower than average current value suggests equities are relatively attractive compared to bonds.

Nifty 50 – Earnings Growth Outlook



Nifty EPS expectations: FY26 - to grow by 10% to 1110 and FY27 – to grow by 17% to 1297.

Source: MOFSL



Equity

Extent of Correction across Indices

	Change in Index		Avg % Fall in stock		Number of Stocks with extent of fall from 52W High				
	from 52W High	Since 27 th Sep High	from 52W High	Since 27 th Sep High	<10%	>10% and <20%	>20% and <30%	>30% and <40%	>40%
Nifty 100 Stocks	-7.9%	-7.9%	-18.9%	-11.2%	26	31	24	13	6
Nifty Mid Cap 150 Stocks	-6.1%	-5.7%	-22.3%	-7.0%	31	37	44	26	12
Nifty Small Cap 250 Stocks	-10.4%	-9.6%	-25.4%	-6.7%	32	64	68	42	44

Data as on 7th August 2025. September 27th has been considered as Nifty 50 reached its all time high on that date.

Individual stock correction is more severe than what the index suggests.

01

Large Cap:

43%

of the stocks have
corrected more than
20% from 52W High

02

Mid Cap:

55%

of the stocks have
corrected more than
20% from 52W High

03

Small Cap:

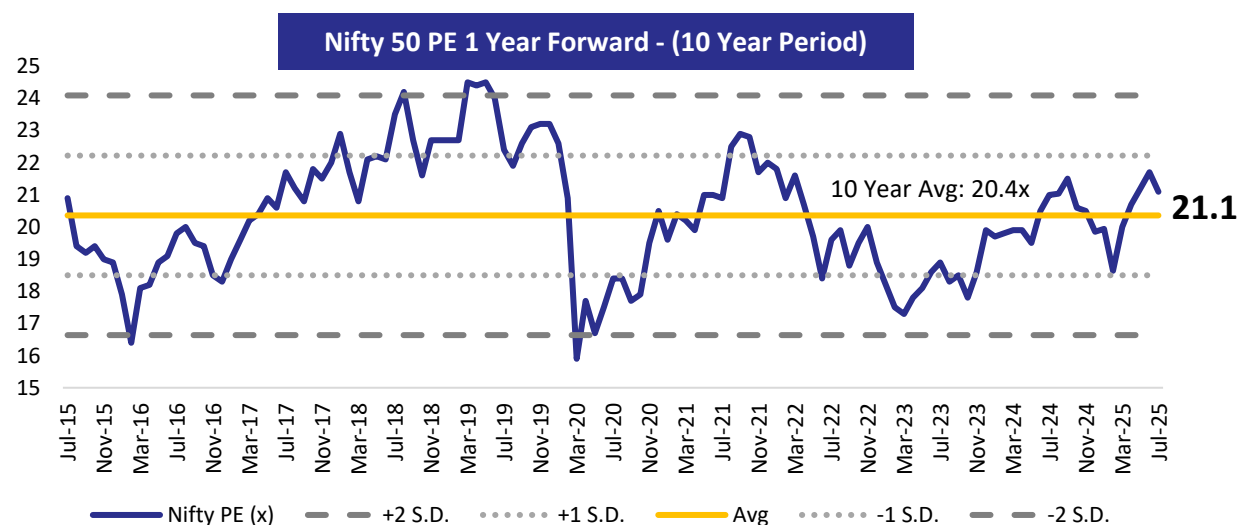
62%

of the stocks have
corrected more than
20% from 52W High

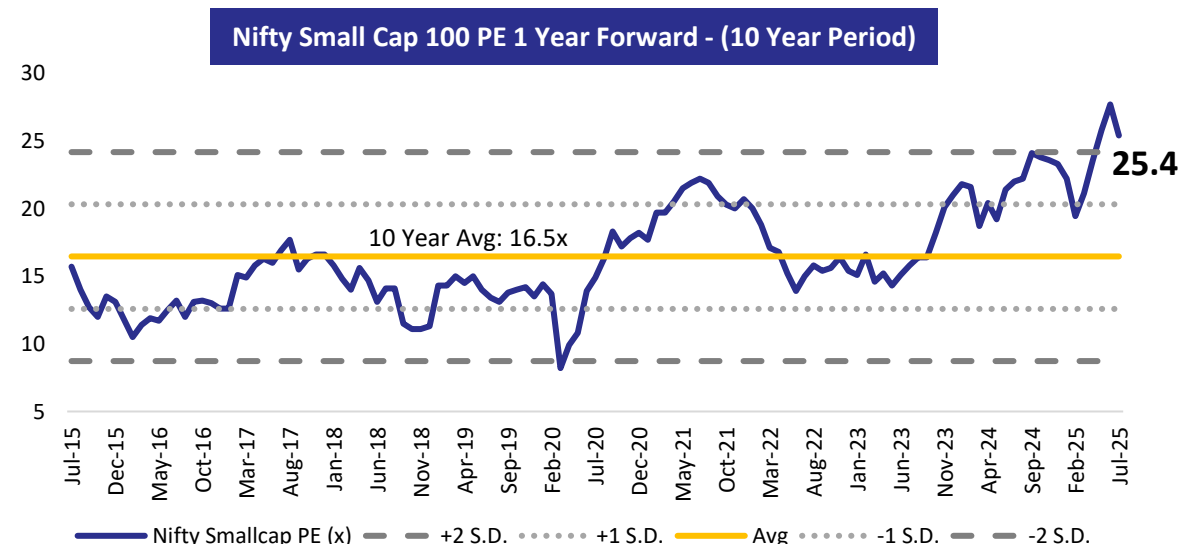
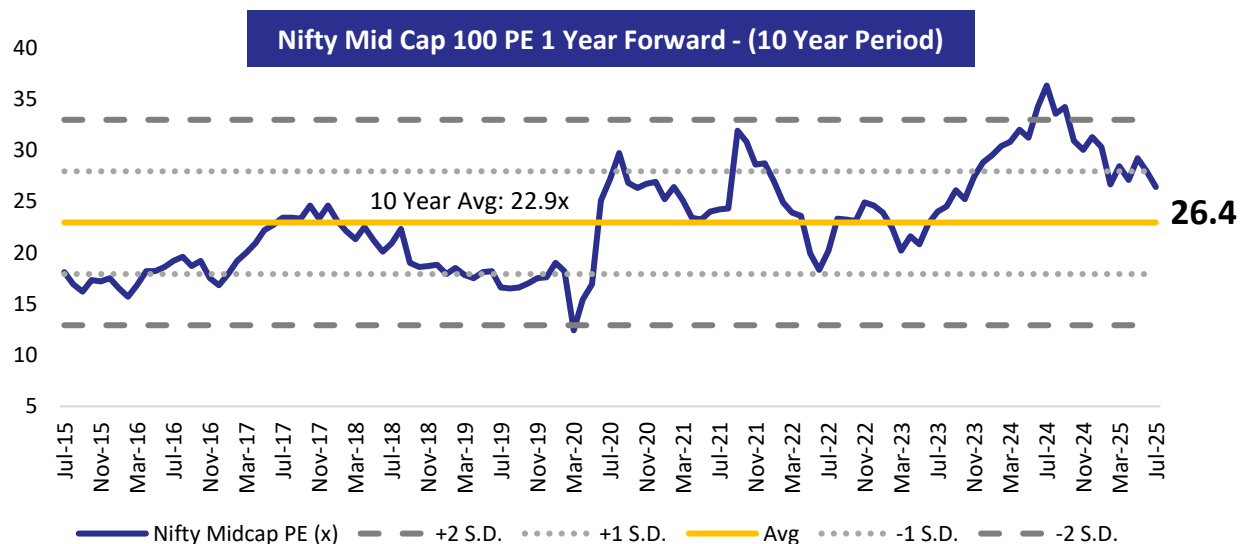
Source: ACE Equity, Internal Research

Disclaimer: The above data is for informational purpose. The analysis may or may not be sustained in future.

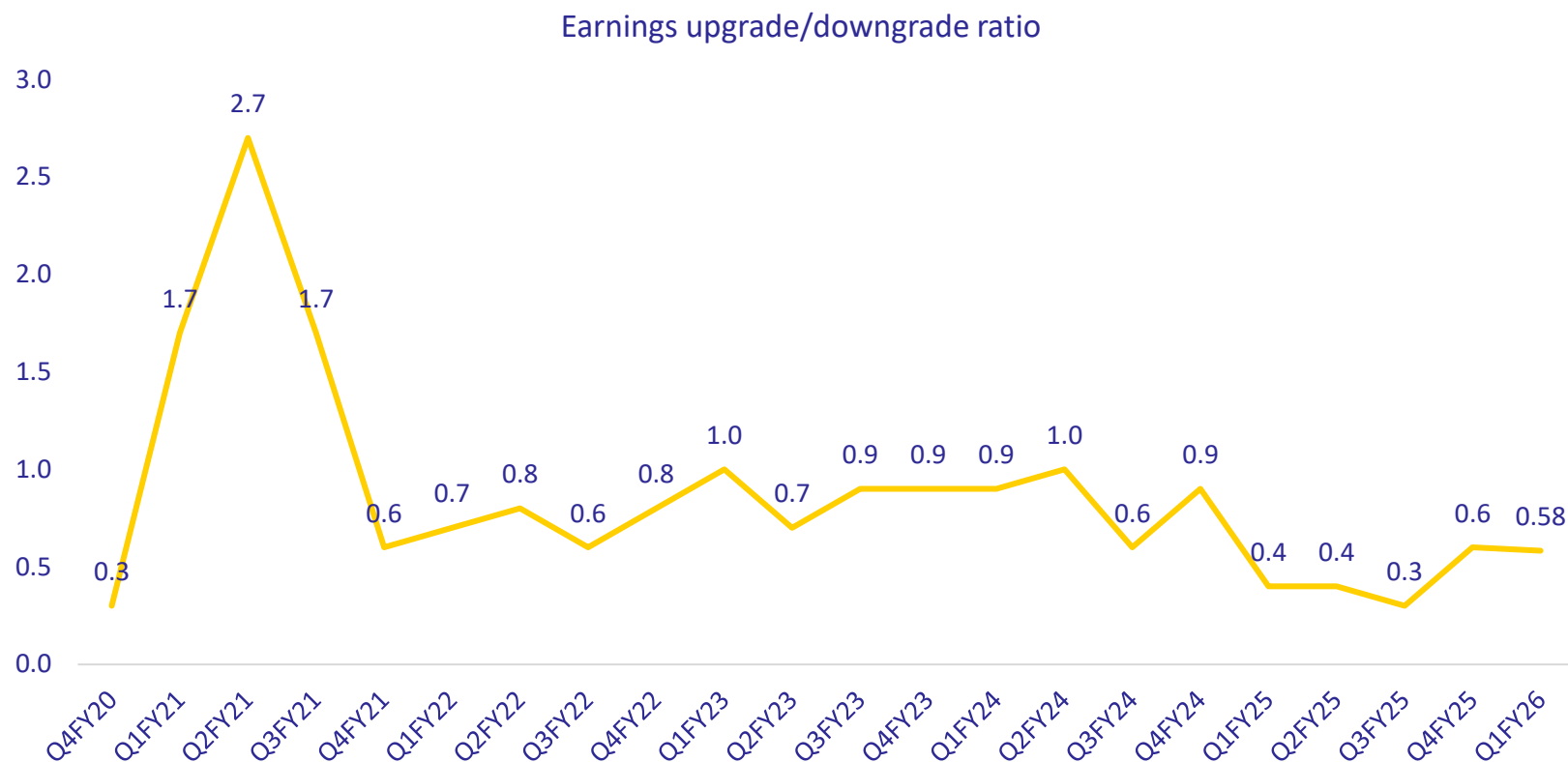
Market Indices Valuations – Based on Forward Earnings



Nifty 50 Forward PE is near its long-term average, while that of Mid Cap and Small Cap 100 continues to be way above its long-term averages, indicating a continued sense of expensive valuations in the market.



Q1FY26 Earnings review – Upgrade/Downgrade ratio



Based on the results declared by 184 companies, 32 companies saw upgrades in FY26 earnings while, 55 companies saw downgrades.

Upgrade is considered if the revision is $\geq 3\%$

Downgrade is considered if the revision is $\leq -3\%$

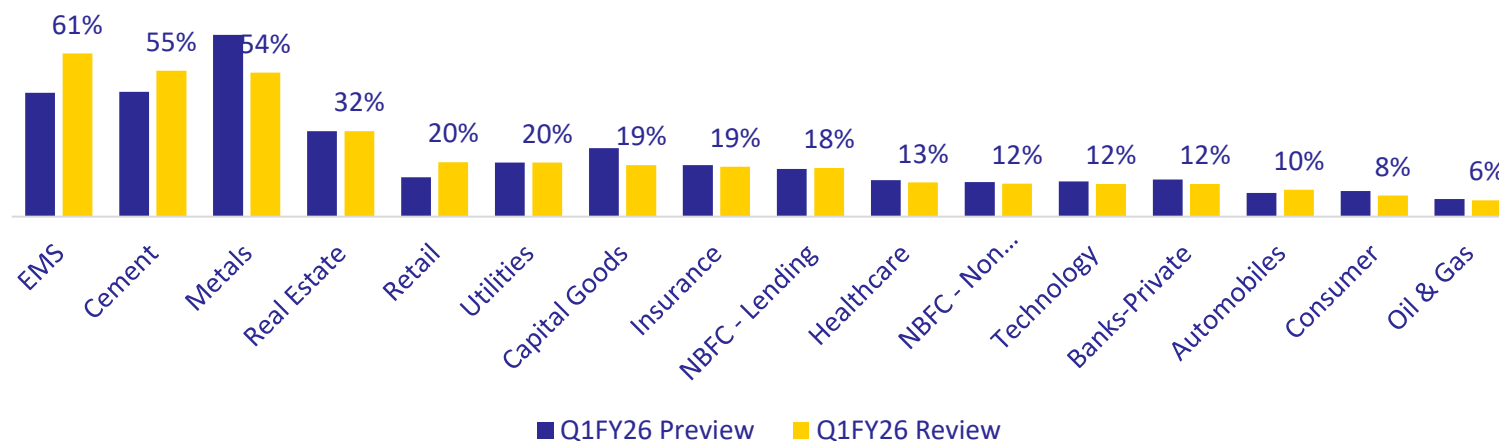
Source: MOFSL.

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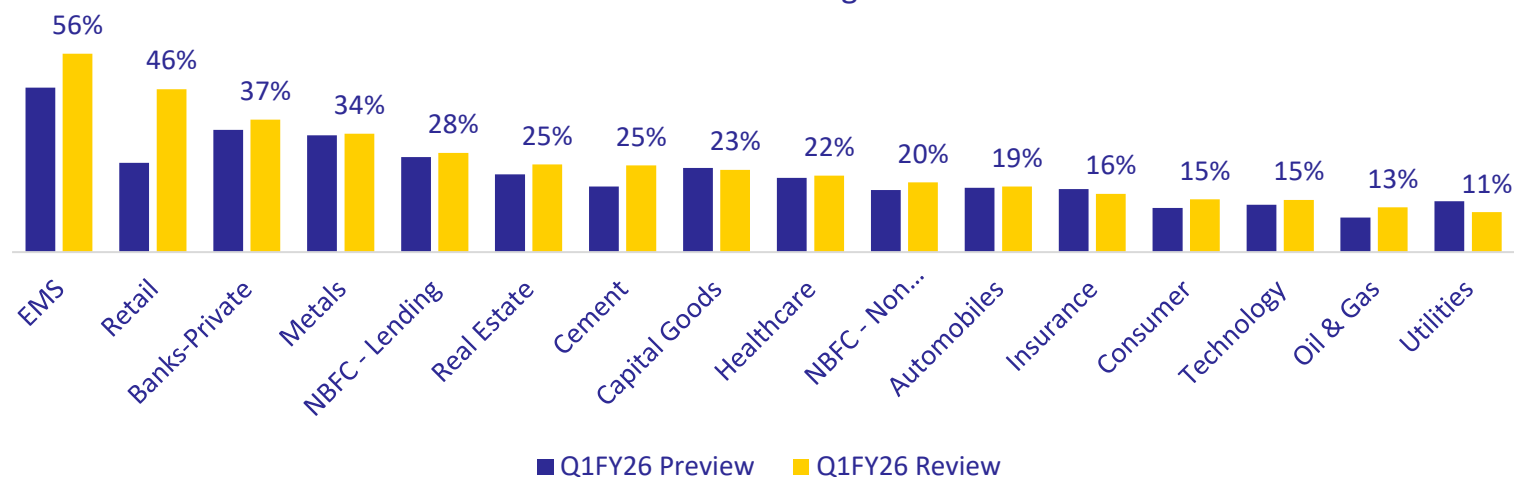
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Sector-wise expected earnings growth for FY26 & FY27

FY26E Median Earnings Growth



FY27E Median Earnings Growth



Nifty 50 – Daily 1Y Rolling Return and 1Y and 3Y Forward Return



Nifty 50				1Y Forward Return (Absolute %)							3Y Forward Return (CAGR %)						
Daily 1 Year Rolling Returns		Count	% Times	Min	Max	Average	% times				Min	Max	Average	% times			
							<0%	0% - 10%	10% - 20%	>20%				<0%	0% - 10%	10% - 20%	>20%
	0%	596	16%	-1%	97%	23%	0%	22%	37%	41%	10%	32%	19%	0%	0%	66%	34%
0%	5%	435	12%	-17%	59%	23%	6%	15%	32%	47%	8%	23%	17%	0%	5%	76%	19%
5%	10%	573	16%	-19%	55%	18%	15%	16%	23%	45%	4%	22%	14%	0%	13%	81%	6%
10%	20%	1025	28%	-30%	46%	11%	19%	23%	31%	27%	-4%	19%	12%	0%	26%	73%	0%
20%		988	27%	-20%	32%	6%	22%	47%	21%	10%	-3%	18%	11%	2%	38%	60%	0%
		3617															

Data Period – 1st January 2010 - 6th August 2025

Current Value: 3.7%

Current band has been highlighted in grey.

As per the 1-year daily rolling return:

- For the next 1 year, we remain in a zone where the probability of a return >20% remains highest. The average return expected is 20%.
- For the next 3 years, there is 100% probability of a positive return with the probability of returns >10% again high (i.e. 95%).

Nifty Mid Cap 100 – Daily 1Y Rolling Return and 1Y and 3Y Forward Return



Nifty Mid Cap 100				1Y Forward Return (Absolute %)							3Y Forward Return (CAGR %)						
Daily 1 Year Rolling Returns		Count	% Times	Min	Max	Average	% times				Min	Max	Average	% times			
							<0%	0% - 10%	10% - 20%	>20%				<0%	0% - 10%	10% - 20%	>20%
	0%	971	27%	-37%	118%	25%	28%	14%	13%	45%	5%	41%	24%	0%	0%	25%	75%
0%	5%	386	11%	-19%	84%	21%	29%	18%	4%	49%	2%	36%	18%	0%	17%	39%	44%
5%	10%	414	11%	-22%	98%	27%	24%	7%	10%	59%	-1%	37%	15%	3%	27%	38%	31%
10%	20%	460	13%	-29%	89%	21%	30%	6%	12%	52%	-3%	35%	15%	11%	37%	30%	47%
20%		1386	38%	-21%	60%	13%	20%	35%	17%	28%	-13%	32%	15%	16%	14%	30%	39%
		3617															

Data Period – 1st January 2010 - 6th August 2025

Current Value: 2.8%

Current band has been highlighted in grey.

As per the 1-year daily rolling return:

- For the next 1 year, we remain in a zone where the average return expected is around 21% with the probability of generating positive returns at 71%.
- For the next 3 years, the average return expected is 18%, with 100% probability of returns being positive.

Nifty Small Cap 100 – Daily 1Y Rolling Return and 1Y and 3Y Forward Return



Nifty Small Cap 100				1Y Forward Return (Absolute %)							3Y Forward Return (CAGR %)						
Daily 1 Year Rolling Returns		Count	% Times	Min	Max	Average	% times				Min	Max	Average	% times			
							<0%	0% - 5%	15% - 20%	>20%				<0%	0% - 5%	15% - 20%	>20%
	0%	1420	39%	-47%	146%	29%	30%	13%	5%	52%	0%	40%	21%	0%	6%	40%	54%
0%	5%	367	10%	-30%	94%	15%	45%	14%	10%	31%	-3%	33%	13%	10%	31%	43%	16%
5%	10%	229	6%	-27%	103%	27%	27%	13%	6%	55%	-4%	33%	11%	10%	44%	28%	18%
10%	20%	249	7%	-32%	94%	21%	34%	13%	7%	46%	-7%	32%	10%	15%	39%	25%	21%
20%		1352	37%	-33%	73%	7%	47%	18%	9%	26%	-20%	31%	10%	31%	3%	36%	31%
		3617															

Data Period – 1st January 2010 - 6th August 2025

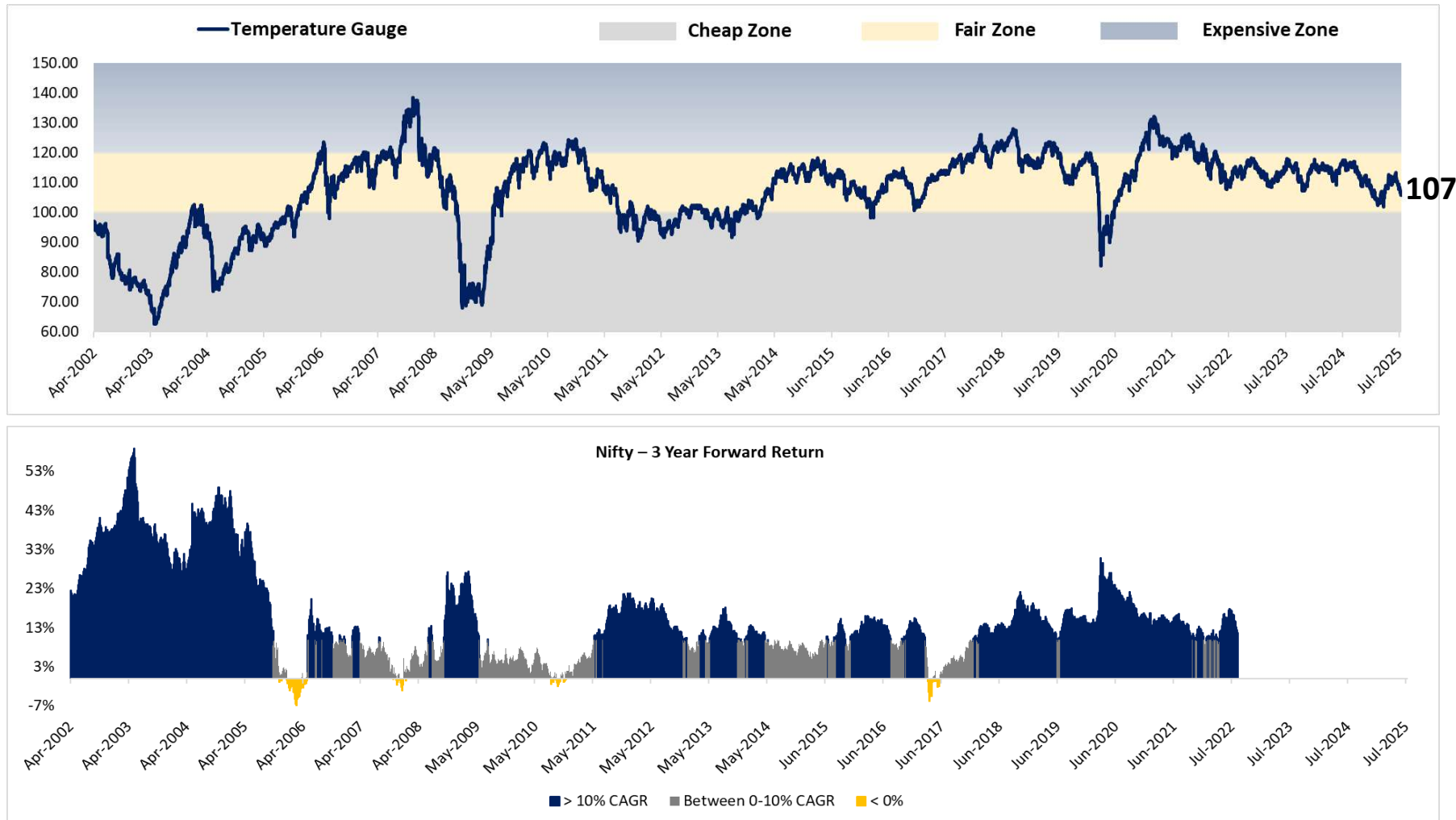
Current Value: -0.5%

Current band has been highlighted in grey.

As per the 1-year daily rolling return:

- For the next 1 year, we remain in a zone where the average return expected is the highest at 29% with the probability of generating positive returns at 70%.
- For the next 3 years, the average return expected is 21%, with 100% probability of returns being positive.

Temperature Gauge Index



Temperature Gauge Index is an equally weighted index of EY-BY and MOVI Index

It incorporates PE Ratio, PB Ratio, Div. Yield and G-sec Yield, and hence is a useful valuation metric.

Data as on 11th August'25

Source: Capital Line, Bloomberg Internal Research

Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.

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Temperature Gauge Index – Sensitivity Analysis

Temperature Gauge Index - Sensitivity Analysis					
Nifty50/10 Yr Gsec	6.04%	6.24%	6.44%	6.64%	6.84%
23250	103	104	105	106	107
23500	103	104	105	106	107
23750	104	105	106	107	108
24000	104	105	106	107	108
24250	104	105	106	107	108
24500	105	106	107	108	109
24750	105	106	107	108	109
25000	105	106	107	108	109
25250	106	107	108	109	110
25500	106	107	108	109	110
25750	106	107	108	109	110
26000	106	108	109	110	111
26250	107	108	109	110	111

Pink cell Indicates Current Level of Nifty 50 and 10 yr G-sec levels. Data as on 11th August'25

Source: Capital Line, Bloomberg Internal Research

Disclaimer: The above data is for informational purpose. The analysis may or may not be sustained in future.

3 Yr Forward Returns Of Nifty At Different Levels Of Temperature Gauge Index

Nifty 50				36M Return CAGR			Time Positive	% Times	
Index in Range		Count in Range	% of count	Min	Max	Average	% Times Positive	6% to 10%	>10%
65	70	60	1%	24%	57%	43%	100.0%	0%	100%
70	75	202	2%	15%	51%	32%	100.0%	0%	100%
75	80	285	3%	14%	45%	37%	100.0%	0%	100%
80	85	168	2%	15%	43%	34%	100.0%	0%	100%
85	90	207	2%	12%	49%	33%	100.0%	0%	100%
90	95	539	6%	2%	47%	27%	100.0%	2%	97%
95	100	832	10%	1%	44%	18%	100.0%	8%	91%
100	105	761	9%	-2%	30%	13%	92.6%	19%	66%
105	110	948	11%	-4%	22%	10%	73.4%	13%	50%
110	115	1916	22%	-7%	22%	9%	65.2%	27%	26%
115	120	1617	19%	-4%	21%	9%	80.4%	23%	28%
120	125	804	9%	-2%	18%	10%	93.5%	10%	61%
125	130	135	2%	0%	16%	12%	99.3%	4%	80%
130	135	84	1%	-2%	15%	6%	91.7%	0%	36%
135	140	28	0%	-3%	0%	-1%	10.7%	0%	0%

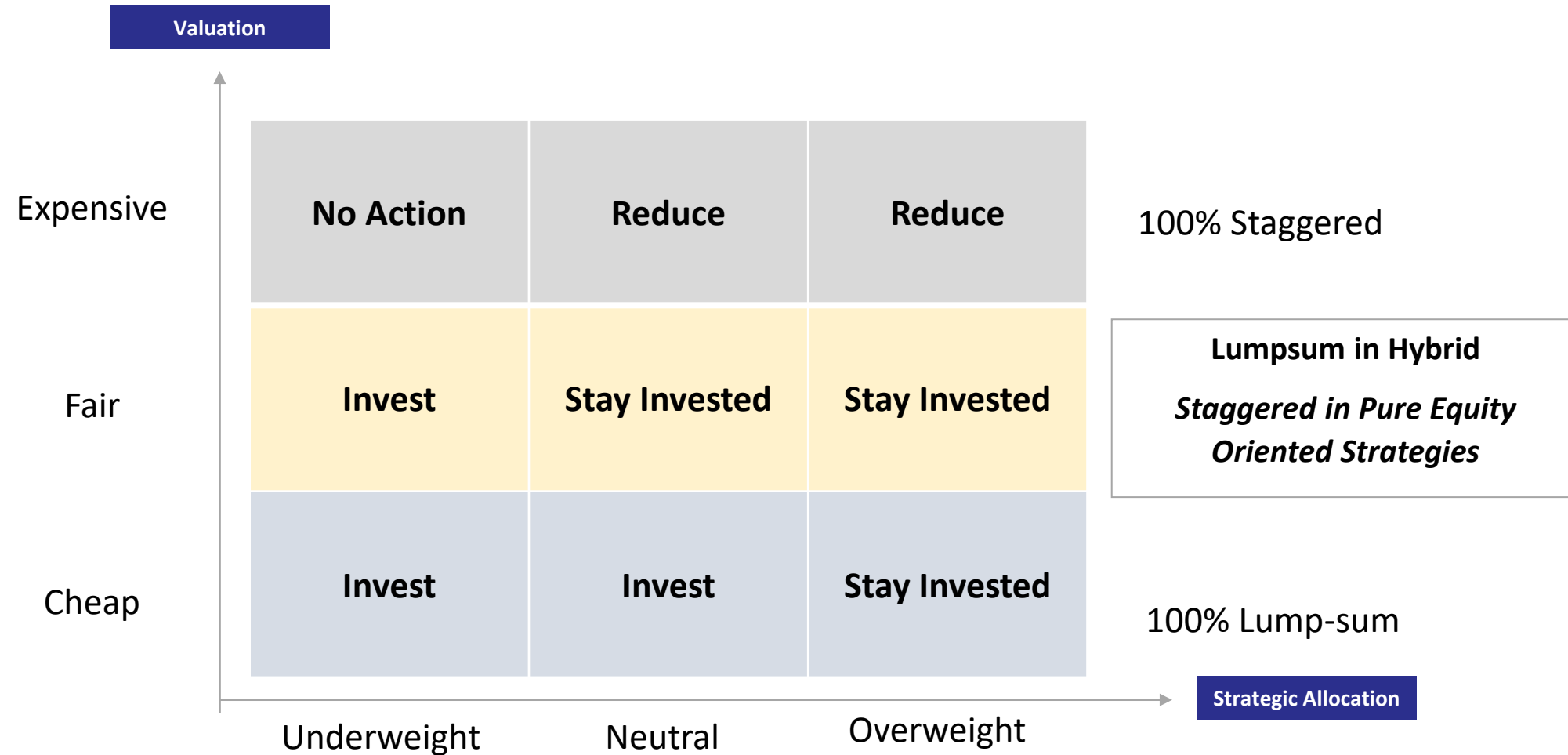
Data as on 11th August'25

Source: Capital Line, Bloomberg Internal Research

Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.

Equity Allocation & Deployment Grid

Below grid is based on Temperature Gauge Index



Data as on 11th August '25

Source: Capital Line, Bloomberg Internal Research

Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.

Equity Portfolio Strategy

- Global markets have remained quite resilient amid tariff related uncertainty. Most of the global equity Indices are trading near all-time high indicating renewed investors' appetite while impact of tariffs on growth remains to be seen.
- Back home, the recent US tariff measures on select Indian exports could have a multi-layered impact. This could modestly weigh on GDP growth through weaker external demand and reduced manufacturing output. Otherwise, domestic demand is likely to be boosted by declining lending rates, tax cuts, sustained low inflation and improved rural wage growth.
- From flows perspective, while FIIs turned negative in Jul, domestic inflows remained strong. However, momentum pick up in the markets also led to increase in supply of equities as well and that has kept the rise in check.
- Nifty index is trading around historical average on 1-yr forward basis. However valuations in mid and small caps, continue to trade at a significant premium, reinforcing the need for selective participation.
- Given supportive structural trends but heightened near-term uncertainty, we recommend to Stay the course - anchoring investment strategy on India's structural growth drivers while navigating near-term volatility with discipline and selective positioning.
- **Equity Portfolio Allocation Stance: Neutral i.e. 65% allocation to Large Caps and 35% allocation to Mid and Small Caps**
- Investment Strategy:
 - Lump-sum investments in Hybrid funds at current levels.
 - For Pure equity-oriented strategies, a staggered SIP/STP approach is prudent given elevated valuations and higher volatility. Any sharp correction should be used for aggressive deployment.

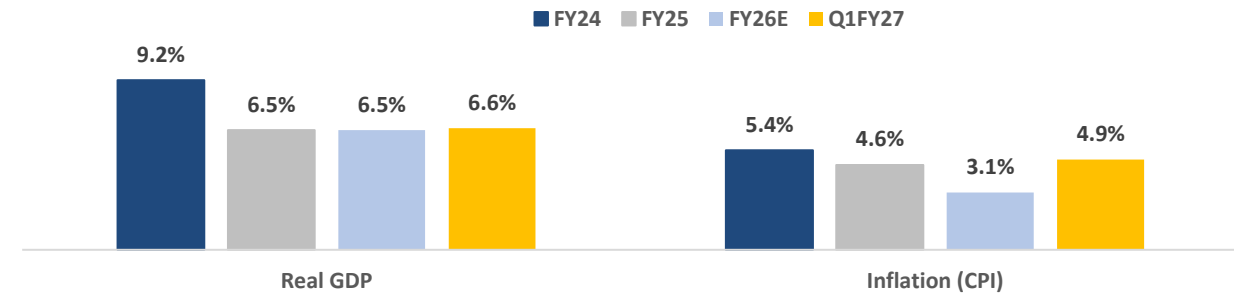
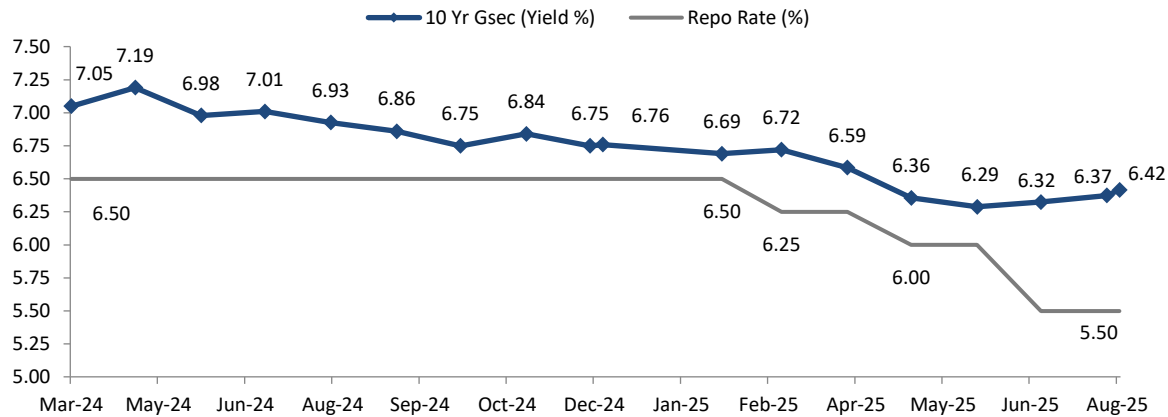
Disclaimer: The Equity Portfolio Strategy is based on our views and the above information is for reference purposes only and should not be construed to be investment advice under SEBI (Investment Advisory) Regulations. This document is not a research report as per the SEBI (Research Analyst) Regulations, 2014..



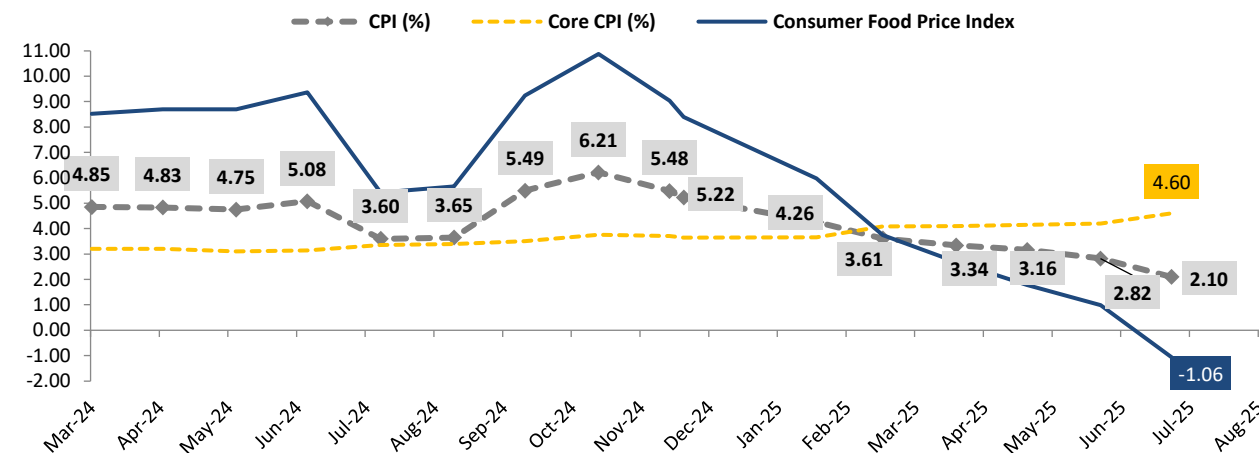
Fixed Income

A measured pause by RBI : Status quo on rates with a neutral stance

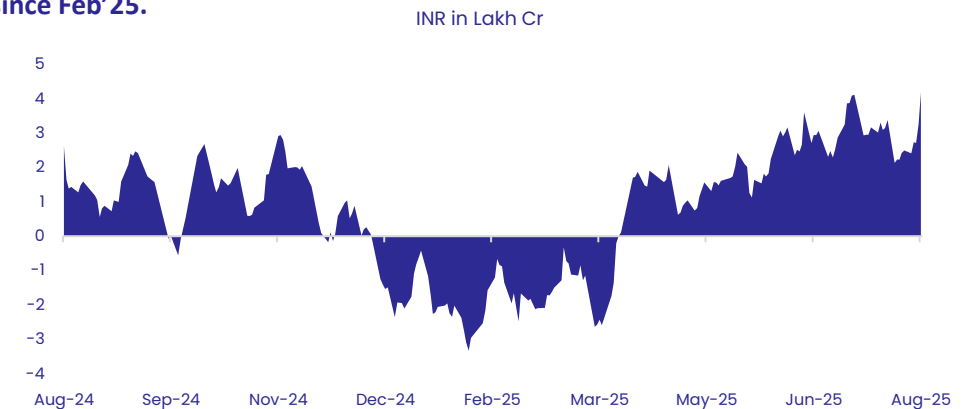
- Q1 FY27 forecasts—CPI at 4.9%, GDP at 6.6%—suggest both higher inflation and growth ahead, limiting RBI's scope for rate cuts
- With forward-looking real rate around ~1.5%, the 5.50% repo effectively serves as a tight real policy floor, providing little room for easing in the near term.



Core inflation has been sticky at ~4% on back of higher commodity prices; projected to stay above 4% for FY26



- System liquidity remains ample—with an average surplus of ₹3–4 trillion per day—ensuring smooth transmission
- Lending rates have reduced by 71 bps and deposit rates by 87 bps against 100 bps of rate cuts since Feb'25.

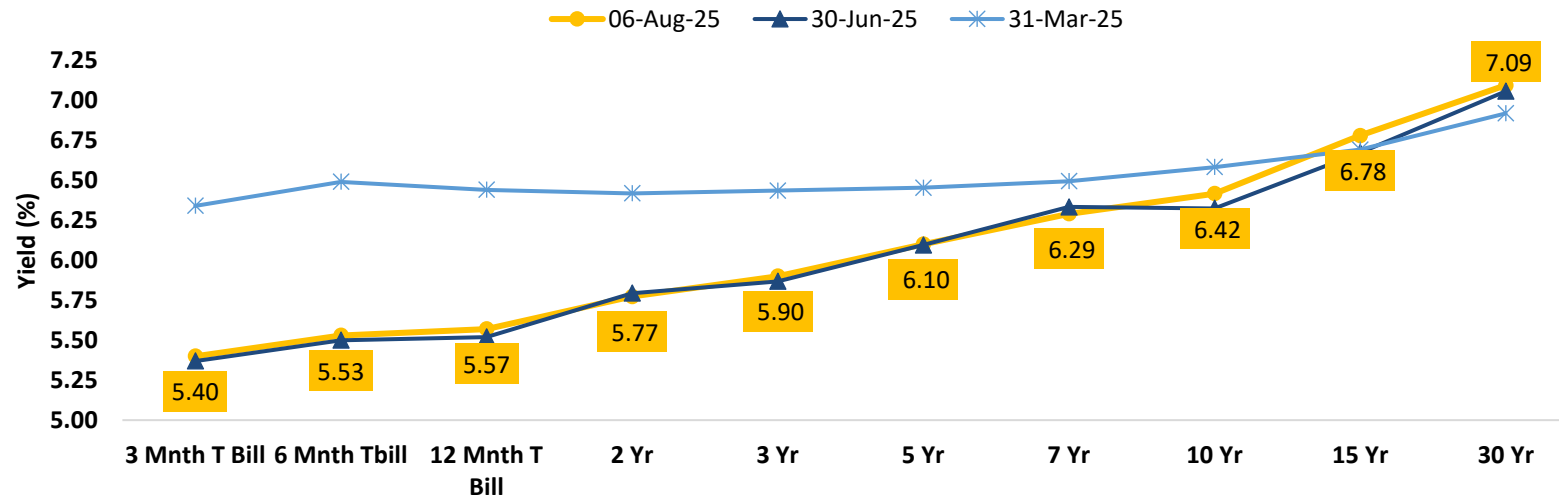


Current situation of factors impacting the Indian yield curve

Tenor	Factor	Latest developments	Likely Impact
Short-end	RBI repo rate	A measured pause by RBI : Status quo on rates with a neutral stance (repo @ 5.50%) and shifted its stance to “ neutral ”, signaling data-dependence for the rest of CY 2025/2026	Neutral
	System liquidity	System liquidity remains ample—with an average surplus of ₹3–4 trillion per day—ensuring smooth transmission . The RBI will continue variable-rate repo and reverse repo auctions to keep WACR aligned with the policy rate.	Positive
Long-end	Growth outlook	FY26 growth forecast remains steady at 6.5%, with Q1: 6.5%, Q2: 6.7%, Q3: 6.6%, Q4: 6.3%. Growth for Q1 FY27 projected at 6.6%. However the impact of tariffs , uptick in consumption and the production activity remains to be seen	Neutral
	Inflation (CPI)	June-25 headline CPI eased to 2.10% YoY . FY26 headline CPI projection revised downward to 3.1%, but core inflation remains persistent above 4%. Q1FY27 inflation projected at 4.9%	Neutral to Positive
	Fiscal deficit	FY25 deficit printed at 4.8% of GDP , in line with the revised estimate; the government reiterates a glide path toward 4.4% in FY26 .	Positive
	OMOs	RBI has infused significant liquidity through extensive OMOs. With the recent rate cuts and CRR cuts limiting the use of OMOs	Neutral

Indian Yield Curve

Movement in G - Sec Yields Across Maturities

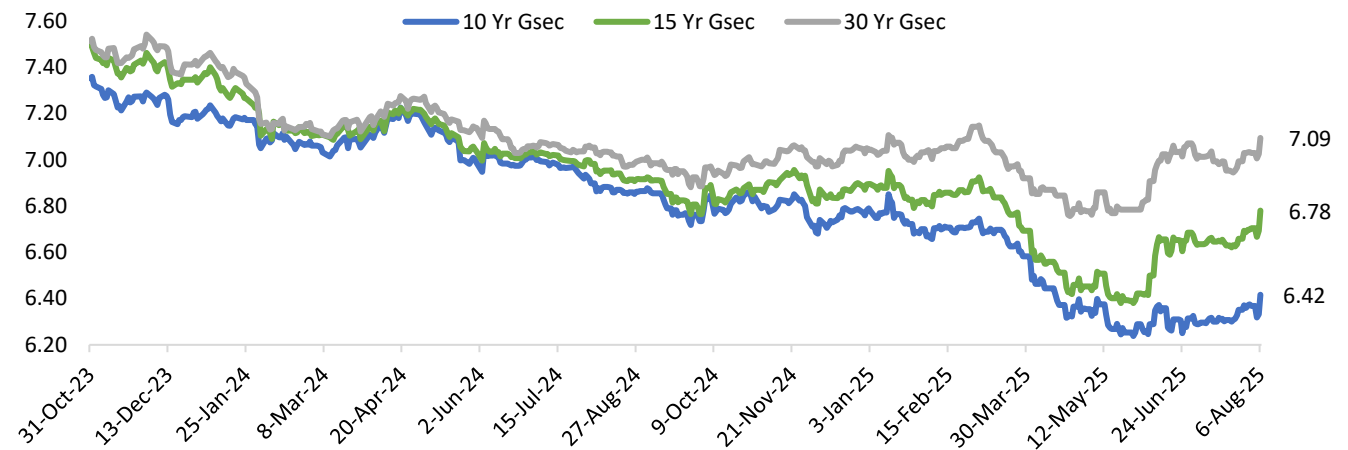


- Yield curve has steepened with yields at shorter end easing relatively more than yields at the longer end of the curve due to :

- Surplus System Liquidity
- Prudent and proactive RBI Approach on Policy Rate & Stance

- Yields on the longer end may remain range bound due to :
 - Steady Growth & Benign Inflation Outlook
 - Albeit, higher inflation and growth forecasts for Q1FY27 may limit RBI's scope for rate cuts
 - Global factors, currency depreciation may cap G-Sec yields rally

Yield Movement in Long Maturity G Secs



Source: RBI, Internal Research

Infinite Possibilities. Enduring Relationships.

Fixed Income Portfolio Strategy

RBI opts for a measured pause, remains vigilant and maintains status quo on rates with a neutral stance, while adjusting projections to reflect evolving inflation trends. Room for further policy easing remains limited and future decisions may be data driven. Current scenario supports the case for maintaining accrual calls across the credit spectrum as the core strategy

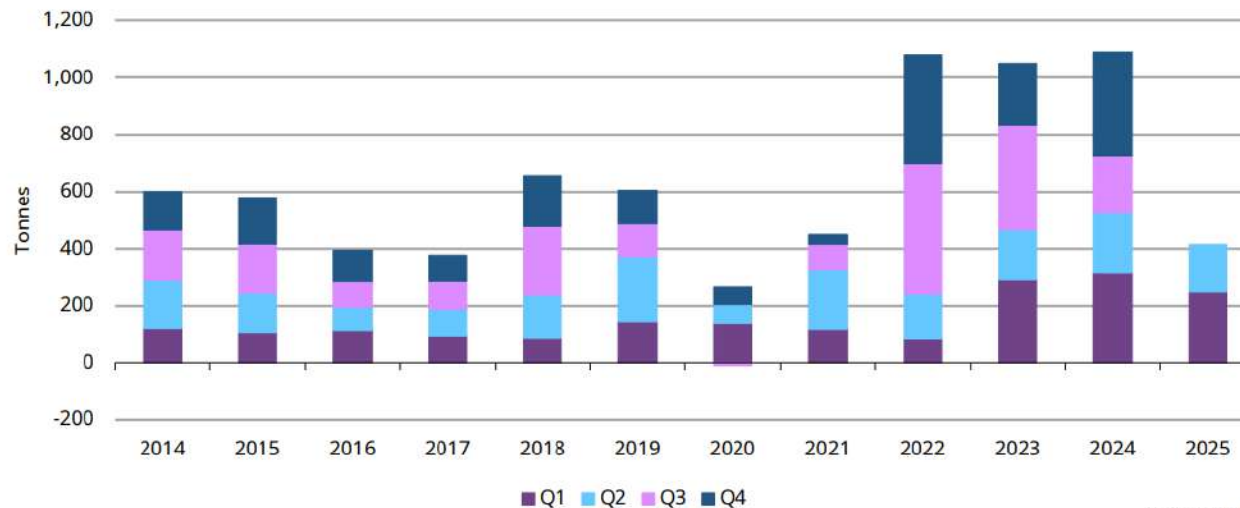
- **Accrual can be played across the credit spectrum by allocating 45% – 55% of the portfolio** to Performing Credit & Private Credit Strategies, Select InvITs/REITs/NCDs
 - 30% – 35% may be invested in Performing Credit Strategies/NCDs and Select InvITs/REITs
 - 20% – 25% may be invested in Private Credit including Real Estate/Infrastructure strategies and select NCDs
- **25% - 35% of the portfolio** may be invested in Arbitrage Funds (min 3 months holding period), Floating Rate Funds (9 – 12 months holding period), Absolute Return Long/Short strategies (min 12 -15 months holding period), Income Plus Arbitrage Fund of Funds (min 2 yr holding period)
- **For tax efficient fixed income alternative solutions, 20% - 25% of the portfolio** may be allocated in Conservative Equity Savings funds (min 3 years holding period)



Gold / Silver

Gold

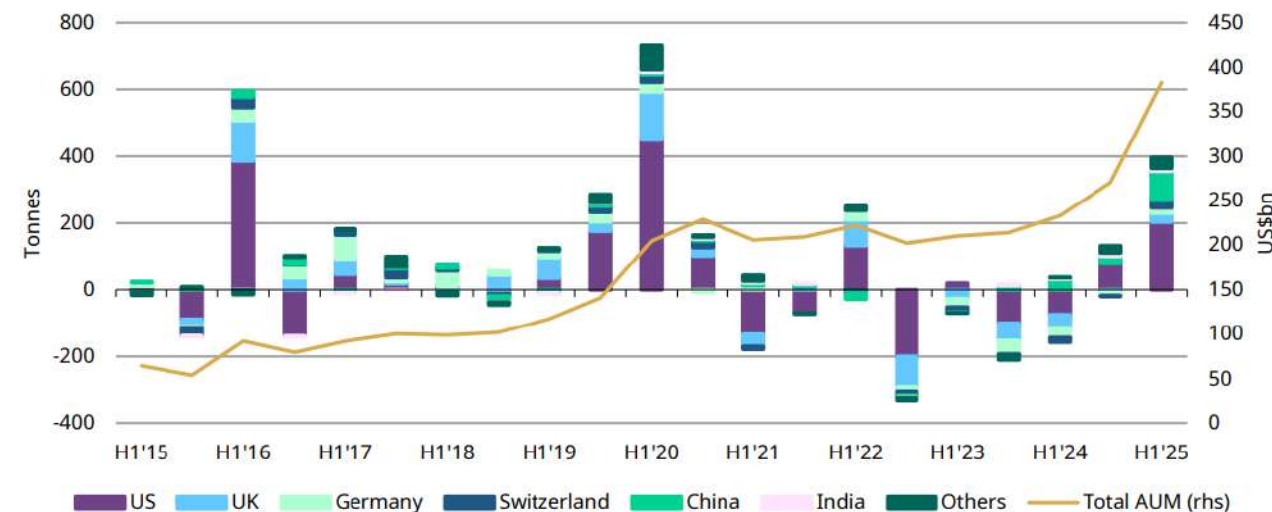
Quarterly central bank demand, tonnes*



Gold prices continue to see support due to persistent buying by central banks, however the pace has slowed down in 2025 (especially in Q2CY25)

US and China based gold backed ETFs make major portion of total demand.

Half-yearly gold-backed ETF demand by region, tonnes*



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