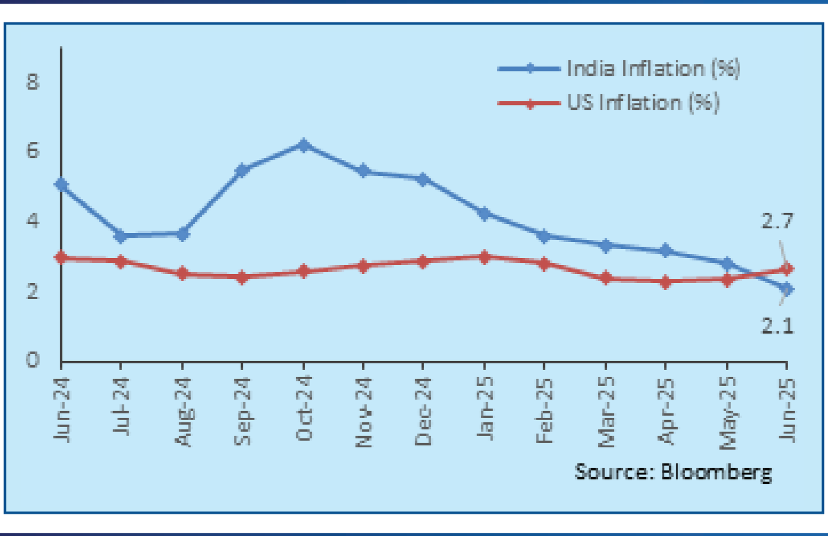
Market Outlook

HDFC Pension – Monthly update (July 2025)

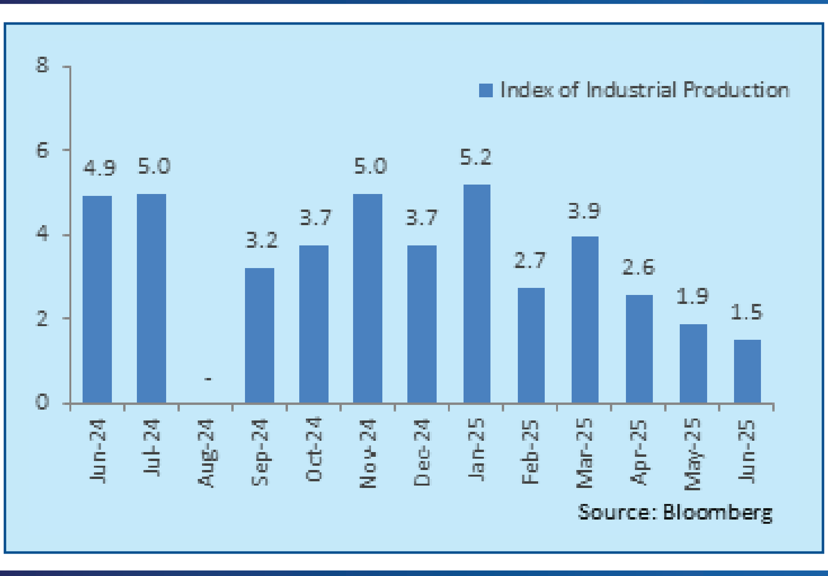
Economic Overview

Inflation %



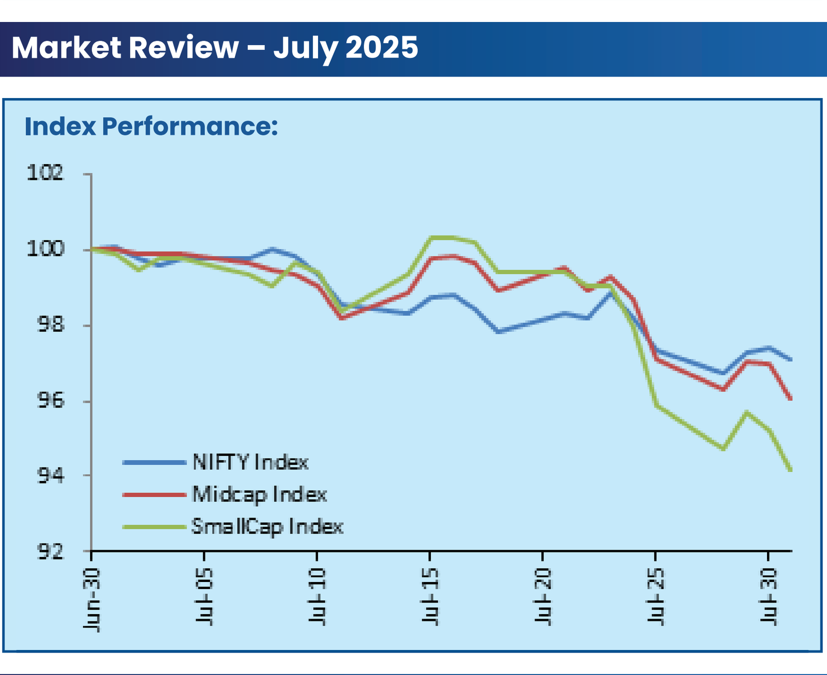
- Inflation (CPI) softened further in June 2025 to 2.1%, lower than both previous month's reading of 2.8% & market expectation of 2.3%, majorly on account of decline in food inflation.
- Overall inflation print remained lower than RBI target inflation rate of 4% for 5th consecutive month.
- However, Core inflation (i.e. excluding Food and Fuel inflation) inched up to 4.4% MoM.
- Globally, US inflation rose to 2.7% in June 2025 compared to 2.4% of the previous month's reading & came above market expectation of 2.6%.

Index of Industrial Production (IIP)



- Index of Industrial Production (IIP) print for June 2025 came at 10-month low of 1.5%, also much lower than market expectation of 2.4%.
- Among the three major sub-groups, manufacturing segment witnessed growth of 3.9% vs 3.2%, mining and electricity segments contracted further by 8.7% and 2.6%, respectively, as compared to a 0.1% & 4.7% decline respectively, on an annual basis, leading to a broad-based moderation in the overall index growth.
- Out of 23 manufacturing sub-segments, 15 sub-segments witnessed an increase in YoY growth.

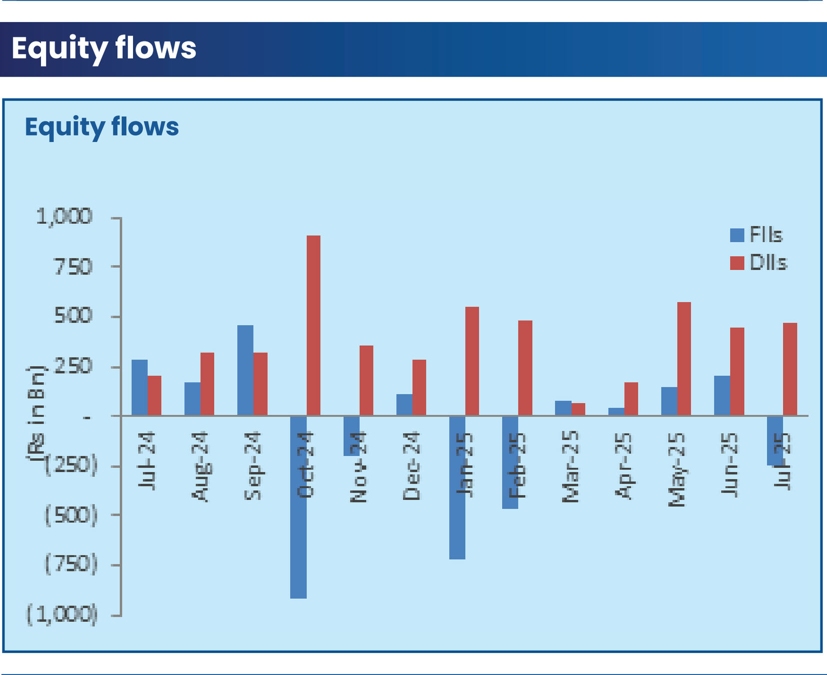
GST Collection



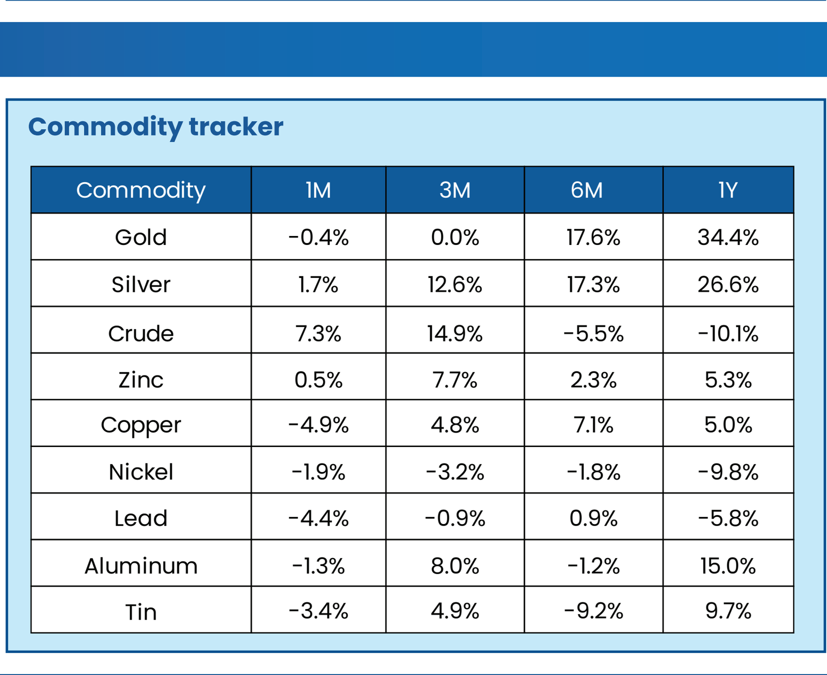
- Gross GST Collection for the month of July 2025 was at Rs.1.96 Lac crores, registering 6% MoM & 8% YoY growth.
- Higher GST collections continue to imply strong underlying strength in domestic economy.

Market Review – July 2025

Index Performance:

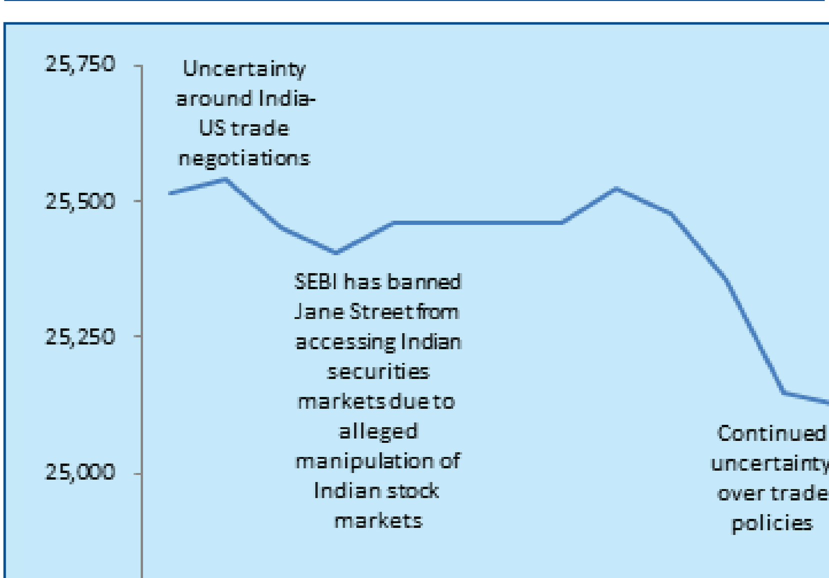


Index Performance:



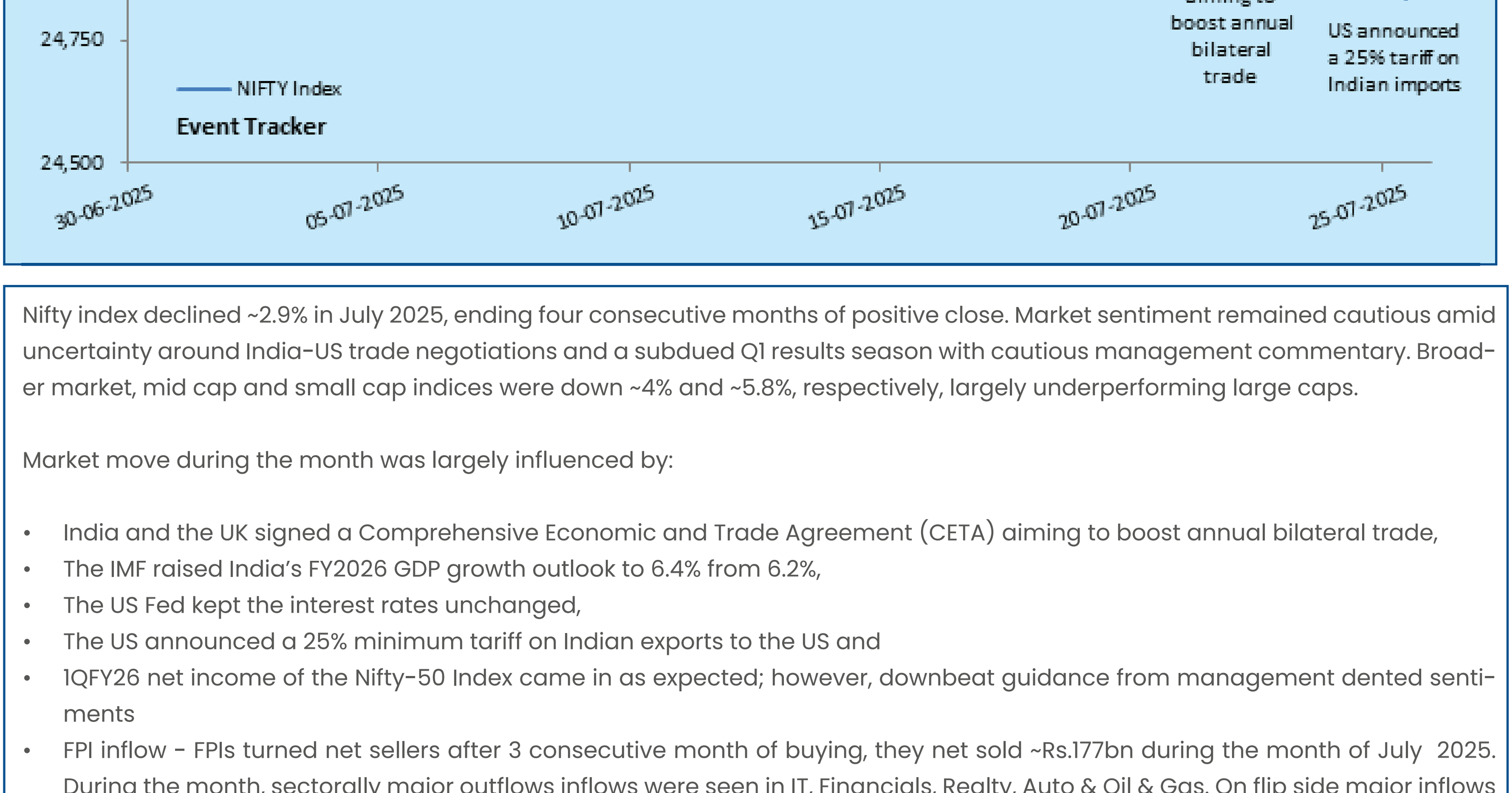
Equity flows

Equity flows



Commodity tracker

Commodity	1M	3M	6M	1Y
Gold	-0.4%	0.0%	17.6%	34.4%
Silver	1.7%	12.6%	17.3%	26.6%
Crude	7.3%	14.9%	-5.5%	-10.1%
Zinc	0.5%	7.7%	2.3%	5.3%
Copper	-4.9%	4.8%	7.1%	5.0%
Nickel	-1.9%	-3.2%	-1.8%	-9.8%
Lead	-4.4%	-0.9%	0.9%	-5.8%
Aluminum	-1.3%	8.0%	-1.2%	15.0%
Tin	-3.4%	4.9%	-9.2%	9.7%



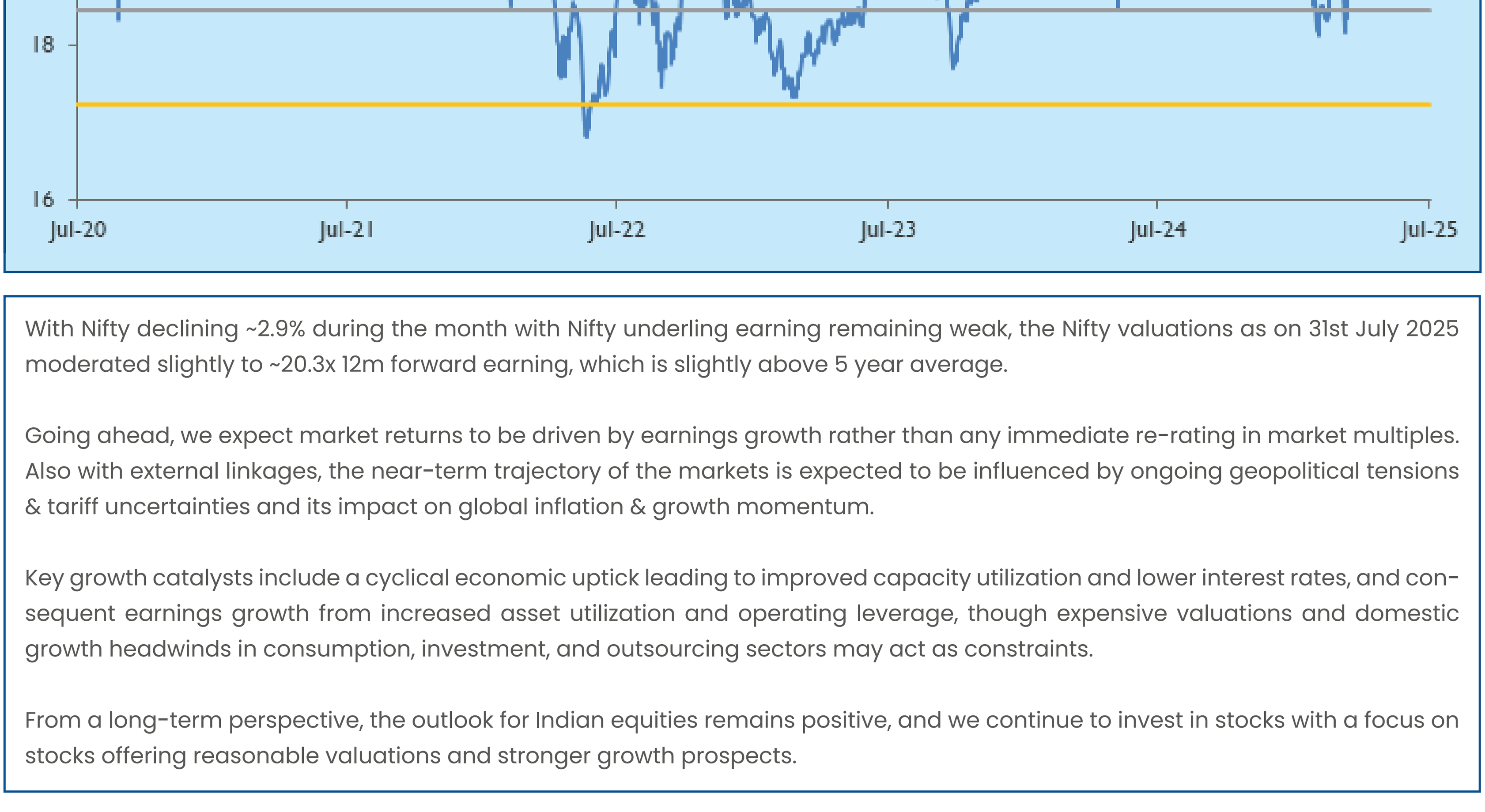
Nifty index declined ~2.9% in July 2025, ending four consecutive months of positive close. Market sentiment remained cautious amid uncertainty around India-US trade negotiations and a subdued Q1 results season with cautious management commentary. Broader market, mid cap and small cap indices were down ~4% and ~5.8%, respectively, largely underperforming large caps.

Market move during the month was largely influenced by:

- India and the UK signed a Comprehensive Economic and Trade Agreement (CETA) aiming to boost annual bilateral trade,
- The IMF raised India's FY2026 GDP growth outlook to 6.4% from 6.2%,
- The US Fed kept the interest rates unchanged,
- The US announced a 25% minimum tariff on Indian exports to the US and
- 1QFY26 net income of the Nifty-50 Index came in as expected; however, downbeat guidance from management dented sentiments
- FPI inflow - FPIs turned net sellers after 3 consecutive month of buying, they net sold ~Rs.177bn during the month of July 2025. During the month, sectorally major outflows inflows were seen in IT, Financials, Realty, Auto & Oil & Gas. On flip side major inflows were seen in Services, Metals, Consumer services, FMCG & Telecom (Source: NSDL). Domestic institutions remained buyers & have bought stocks worth ~Rs.470bn during the month.

Most Global markets gave average positive returns, Indian (Nifty) worst performer declining -2.9%, among Brazil (-4%), Philippines (-1.8%), on flip side Thailand (+14%), Indonesia (+8%), Taiwan (+5.8%) were best performing markets during the month July 2025.

Nifty Valuation & Equity Outlook



With Nifty declining ~2.9% during the month with Nifty underling earning remaining weak, the Nifty valuations as on 31st July 2025 moderated slightly to ~20.3x 12m forward earning, which is slightly above 5 year average.

Going ahead, we expect market returns to be driven by earnings growth rather than any immediate re-rating in market multiples. Also with external linkages, the near-term trajectory of the markets is expected to be influenced by ongoing geopolitical tensions & tariff uncertainties and its impact on global inflation & growth momentum.

Key growth catalysts include a cyclical economic uptick leading to improved capacity utilization and lower interest rates, and consequent earnings growth from increased asset utilization and operating leverage, though expensive valuations and domestic growth headwinds in consumption, investment, and outsourcing sectors may act as constraints.

From a long-term perspective, the outlook for Indian equities remains positive, and we continue to invest in stocks with a focus on stocks offering reasonable valuations and stronger growth prospects.

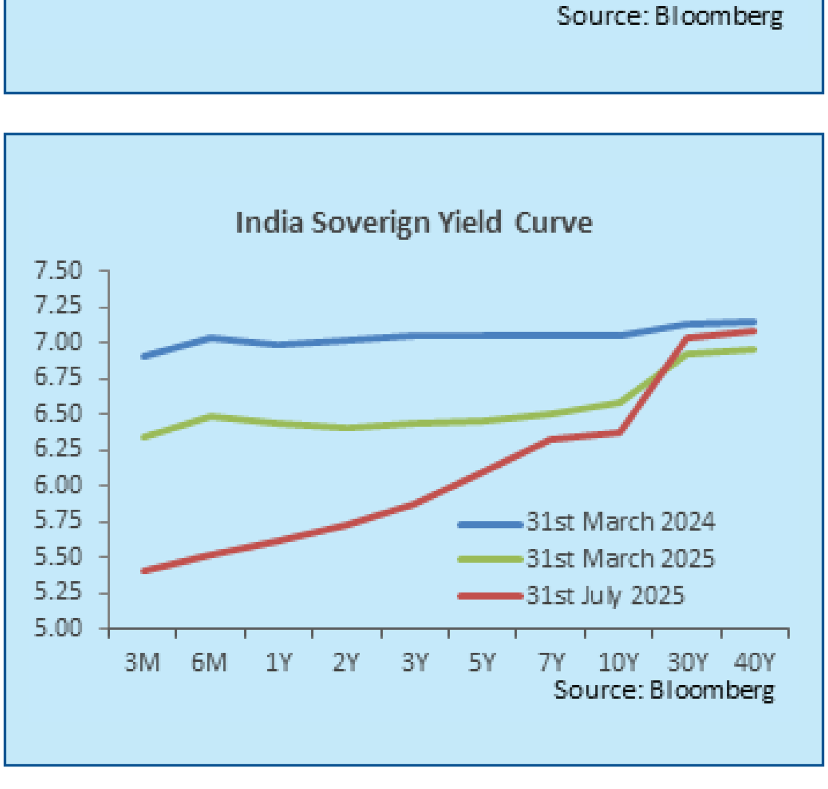
Debt outlook and positioning

Global Macros

The US Fed kept its policy rate unchanged at 4.25-4.5% for the fifth consecutive policy meeting on widely expected lines. The FOMC maintained a cautious approach while focusing on dual mandate on inflation and employment. Powell emphasized that the Fed is "being pulled in two directions," balancing the need to control inflation with the goal of sustaining employment. The ECB held rates steady as inflation aligns with targets and economic conditions remain balanced, albeit under the cloud of global trade uncertainty. The Bank of Japan (BoJ) also held its policy steady while upgraded its inflation outlook, raising the forecast for core consumer inflation to 2.7% for the current fiscal year (ending March 2026), up from the previous projection of 2.2% Headline CPI in India eased further to 2.10%, down from 2.80% in May, marking the lowest level since February 2019. US inflation rose to 2.7% in June 2025 compared to 2.4% of the previous month's reading & came above market expectation of 2.6%. In the U.S., 73,000 nonfarm payroll jobs were added in July, falling short of expectations (~100,000) and marking a significant slowdown compared to previous months.

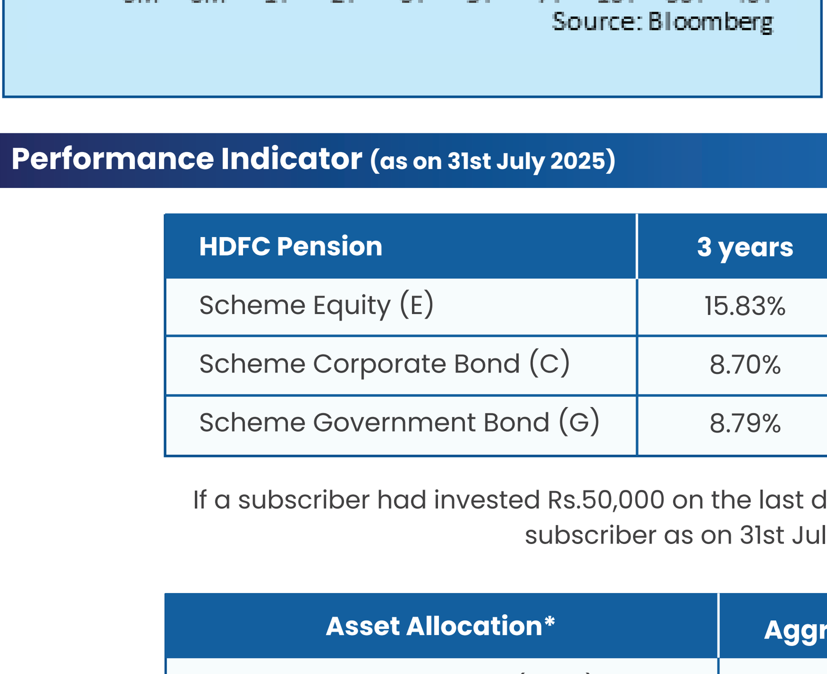
The unemployment rate edged up to 4.2%, indicating some softening in the labor market. However, the ADP private payroll report showed a gain of 104,000 jobs, exceeding forecasts of 75,000 and suggesting continued resilience in private-sector hiring despite broader labor market weakness. The RBI aggressively absorbed excess liquidity through staggered VRRR auctions—ranging from ₹ 1 lakh crore to ₹ 2.5 lakh crore—to prevent rates from slipping below the policy corridor. Towards the month end, recognizing rising short-term liquidity pressure, the RBI also injected liquidity via repos to ensure stability in overnight rates. We expect the RBI to maintain a status quo in its upcoming policy meeting, while revising its inflation projections downward and a 25bps rate cut is likely between October and March 2026, contingent on a slowdown in growth. Global markets faced pressure from various trade deals and tariff announcements by President Trump. The exact U.S. tariffs on Indian exports stem from a mix of newly imposed duties (2025) and older residual trade measures. The situation remains fluid, with ongoing U.S.-India trade discussions. The US 10 Year closed at 4.37% as on 31st July 2025 vs 4.23% on 30th June 2025. DXY increased to 99.97 on July 31, 2025 vs 97.20 on June 30,2025 mainly on account of global uncertainty.

Debt Outlook



Scheme G:

The US 10 Year closed at 4.37% as on 31st July 2025 vs 4.23% on 30th June 2025. Indian GSEC market has been supported continuously by liquidity measures. 10y Gsec moved from 6.32% on 30th June to 6.37% on 31st July 2025. Gsec yield curve spread for 10X30 compressed to ~65 bps on 31st July 2025, driven in part by demand from long-only investors. We increased our exposure in the 10–15-year segment, which we believe is one of the best strategies for investing in the current macro environment." A 25bps rate cut is likely between October and March 2026, contingent on a slowdown in growth, as inflation is expected to remain under control through the year. The rate cut cycle is likely not over, and with fiscal consolidation in place, we expect long bonds to outperform on a total return basis.



Scheme C:

Yields across the curve decreased by 5-8 bps with 10y+ AAA PSU underperforming the curve. 5 Year NABARD traded at 6.82%, 10 Year NABARD at 7.03% and 15 Year at 7.05%. Corporate bond yields may decline and steepen further with surplus liquidity. We expect 3y-5y AA and AA+ bonds to outperform, while 7y-15y AAA PSU bonds may underperform. We will look to deploy tactically to achieve optimum risk reward on the portfolio to take advantage of both capital gains and accruals. We will continue to look to add new names to diversify the portfolio.

Performance Indicator (as on 31st July 2025)

HDFC Pension	3 years	5 years	7 years	SI
Scheme Equity (E)	15.83%	19.56%	13.50%	14.94%
Scheme Corporate Bond (C)	8.70%	7.26%	8.93%	9.35%
Scheme Government Bond (G)	8.79%	6.16%	8.93%	9.01%

If a subscriber had invested Rs.50,000 on the last day of each year since March 2014, the corpus of the subscriber as on 31st July 2025 would have been:

Asset Allocation*	Aggressive	Moderate	Conservative
Invested Amount (in Rs)	6,00,000	6,00,000	6,00,000
Corpus as on 31st July 2025 (in Rs)	13,75,790	12,53,302	11,29,900

* Note: Asset Allocation

1. Aggressive: E-75%; C- 10%; G-15%
2. Moderate: E-50%; C- 30%; G-20%
3. Conservative: E-25%; C- 45%; G-30%

Thus, over long term, investment with higher equity proportions tends to give better returns and helps to accumulate bigger retirement corpus for the subscribers.

HDFC PENSION

Returns under NPS are subject to market risk and fluctutations based on the state of the financial market.
Tax Laws are subject to change.

HDFC Pension Fund Management Limited (formerly known as HDFC Pension Management Company Ltd)
Registered Office Address: 1st Floor, Lodha Excelus, Apollo Mills Compound, N.M. Joshi Marg, Mahalaxmi, Mumbai – 400011. CIN:U66020MH2011PLC218824.Telephone No.: +91 22 6751 7777. Email id: contactus@hdfcpension.com.
Website: www.hdfcpension.com. POP Registration No.: 246022019