MONTHLY INVESTMENT PERSPECTIVES
May-25

LGT Wealth India

GLOBAL MACRO: RECALIBRATING THE LANDSCAPE AMID UNCERTAINTIES

The global macroeconomic landscape is at a crucial turning point, characterized by increased uncertainty from geopolitical tensions, protectionist trade policies, and differing actions by central banks. The aggressive trade policies of the United States and China's retaliatory measures have disrupted global trade flows and raised the risk of stagflation. Consequently, the global growth forecast for 2025 has been adjusted downward due to an unpredictable macro environment and fluctuations in financial markets. Significant policy changes are taking place: the US Federal Reserve has opted for a data-dependent pause, while central banks in the Eurozone and the UK are leaning towards easing their policies to address stagnating growth and improving inflation trends. This divergence in monetary policy is fragmenting capital flows and increasing volatility in global financial markets. Additionally, the exceptional growth story of the US is diminishing as the growth disparity between the US, the EU, and the rest of the world is closing.

GLOBAL EQUITIES: NAVIGATING GROWTH RISKS AND VALUATION RE-RATING

Global equity markets face a challenging environment with high valuations, weakening earnings momentum, and increased policy uncertainty. In developed economies, especially the United States, market gains have been concentrated among a small group of technology and AI-focused companies, while overall market breadth remains limited. Investors are beginning to adjust to a slower growth outlook, impacted by rising trade tensions and tightening fiscal conditions. Equity performance has been mixed in Europe and Japan. Japan has benefitted from supportive structural reforms and a weaker yen, while Europe is grappling with weak demand and ongoing geopolitical uncertainty. In emerging markets, the situation is more complex. Some economies benefit from reform-driven growth, while others face challenges due to a stronger US dollar and external political risks. This highlights the importance of selective investment strategies. The earnings season for 1Q25 began last week. We anticipate a weaker earnings report for this quarter, but consensus suggests that 2Q25 may see a recovery. Overall, uncertainty remains very high in the current landscape, largely due to unprecedented developments in US trade policy.

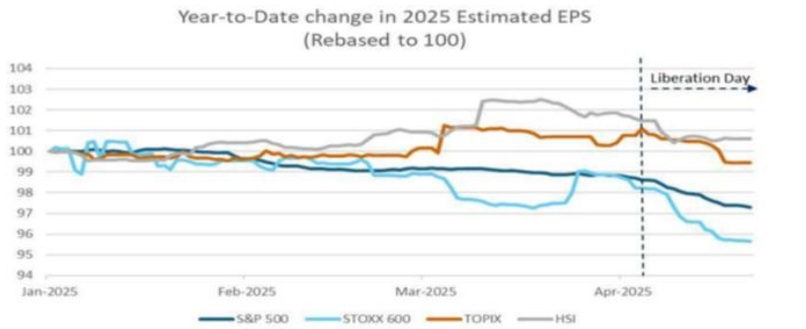
GLOBAL FIXED INCOME: SHIFTING MONETARY POLICIES

Despite signs of an economic slowdown, the US Federal Reserve is expected to keep its current policy interest rate unchanged at the May 2025 meeting. The central bank's primary focus continues to be on immediate inflation risks. While inflation and growth are both critical issues, the slowdown in economic activity will become a significant concern. If macroeconomic data deteriorates significantly, some Fed officials may advocate for a shift towards a more balanced policy to support the economy. Although US Treasury yields have decreased, the yield curve remains steep, with a resurgence in the term premium noticeable in the 2Y10Y spread, which is currently at its highest level since January 2022. Credit spreads are tighter than those observed during the trade war of 2018/19. However, if the situation escalates into a full-scale war, spreads will likely widen beyond the levels seen in 2018/19. Therefore, we recommend maintaining a focus on higher-quality issuers.

GLOBAL COMMODITIES: NEUTRAL PERSPECTIVE ON TACTICAL DRIVERS

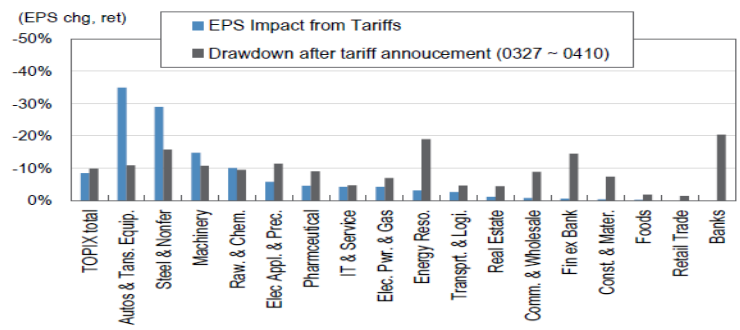
Gold prices have remained firm in 2025, supported by geopolitical uncertainty, recession concerns, and steady central bank demand. Softening real yields, a weaker US dollar, and persistent inflation have contributed to gold's appeal as a portfolio diversifier and risk management tool. The broader macroeconomic context appears conducive to continued interest in gold from institutional investors. Also, central bank purchases are expected to remain elevated, reflecting caution around global trade dynamics, monetary policy uncertainty, and shifting geopolitical relationships. Investor flows, particularly through ETFs, have also shown resilience. While the long-term direction of gold will depend on several evolving macro factors, including real interest rates, global liquidity conditions, and fiscal policy, the current environment suggests that gold remains relevant as a

Earnings Downward Revisions –Just Starting
US tariff policy poses risk to corporate earnings



Source: Bloomberg (22 Apr 25), LGT

Impact of US tariff on sector EPS and stock price reaction

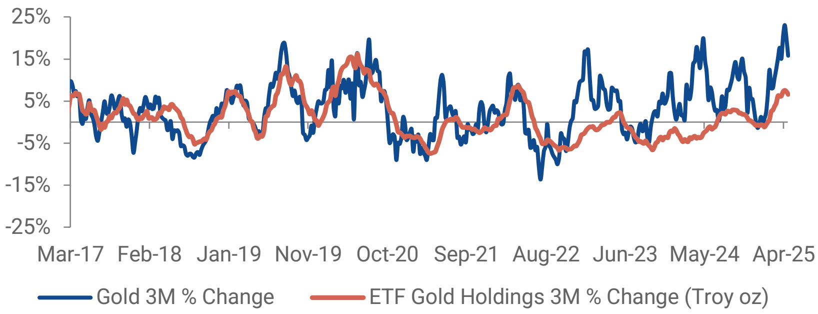


Source: Bloomberg, QUICK, MIC, JPMorgan(11 Apr 25)

UST yields pulled back but curve is steeper
Rebuild of term premium with 2Y10Y spread at >60bps, the highest since Jan-22

Source: Bloomberg (Apr-25)

Global Gold ETF Holdings (moz) have been trending higher



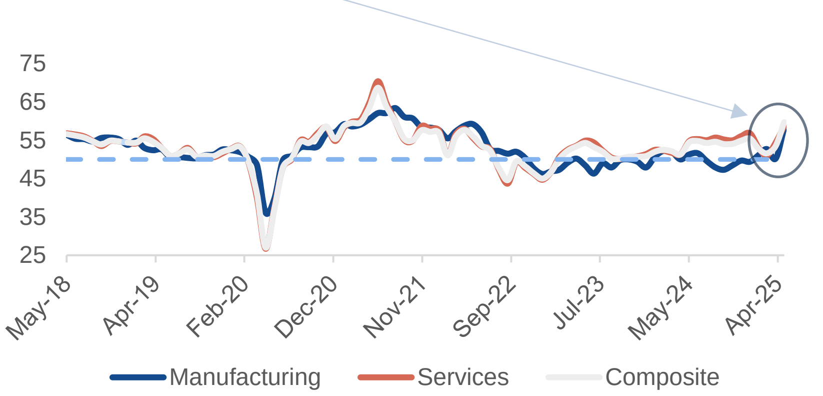
Source: Bloomberg, LGT

portfolio component for diversification and risk management purposes

INDIA MACRO: FINDING WAYS TO ADJUST TO TARIFF NEGOTIATIONS

Recent high-frequency indicators present a detailed view of the economy, showing an overall improvement in activity compared to the previous quarter. Rural demand has shown more significant signs of recovery, driven by increased sales of two-wheelers and tractors, which are important indicators of rural consumption and agricultural sentiment. In contrast, with limited discretionary spending, urban consumption has remained relatively subdued. On the supply side, the manufacturing sector has demonstrated mixed performance. While the Manufacturing Purchasing Managers' Index (PMI) improved compared to the previous quarter, industrial production growth has moderated. However, construction activity has gained momentum, with steady improvement in related indicators over the past five months. The services sector continued to grow strongly in the fourth quarter of FY25, supported by substantial increases in GST collections, e-way bills, toll receipts, and port cargo volumes. The combination of robust domestic demand, proactive monetary and fiscal policies, and a stable external environment fosters a favorable climate for sustained investment flows.

Manufacturing PMI recorded an improvement over the previous quarter



Source: Bloomberg, LGT

INDIA EQUITIES: BUYING THE DIPS

As we approach the Q4 FY25 earnings season, consensus estimates for FY25 and FY26 have been revised downward by about 2%, creating a low bar favoring a positive beat-to-miss ratio in the NIFTY500. While sectors like IT, FMCG, and financial services have seen the most misses, aggregate profit after tax (PAT) growth has returned to positive territory with a 4% increase so far. The NIFTYNEXT50, however, has shown stronger year-on-year growth of 23% for Q4 FY25. Company guidance during this earnings season has led to slightly higher earnings growth expectations for FY26-27, especially in cyclical sectors like cement, energy, and real estate. Conversely, large-cap IT and FMCG EPS growth is expected to be weaker. Most banks will likely benefit from RBI liquidity and relaxed liquidity coverage ratios, helping offset potential negative impacts on net interest margins as rate cuts begin. Large banks like HDFC, ICICI, and Axis Bank have shown improved CASA ratios and manageable CD ratios, which is positive for future growth.

Overall, the current macro environment, supported by capital expenditures and consumption, limits downside risks to earnings, reinforcing an overweight stance on equities over bonds. Investors should view market dips as opportunities to align with long-term asset allocation goals, preferring large-cap stocks for favorable valuations and a greater margin of safety.

Q4FY25 PAT growth (YoY) trending below nominal GDP growth so far

Free Float (INR bn)	No*	Sales (ex-financials)			EBITDA (ex-financials)			PAT (ex-financials)			PAT (incl-financials)		
		Q4FY25	YoY	QoQ	Q4FY25	YoY	QoQ	Q4FY25	YoY	QoQ	Q4FY25	YoY	QoQ
Nifty	26	2631	9%	6%	470	6%	1%	281	0%	5%	800	3%	7%
Nifty Next 50	19	1467	2%	2%	177	13%	17%	84	23%	1%	100	23%	1%
Nifty Midcap 100	34	268	10%	6%	67	5%	-16%	42	9%	-14%	84	8%	-9%
NSE200	79	4366	7%	5%	713	8%	2%	406	5%	2%	985	5%	5%
Nifty Smallcap 100	25	95	16%	2%	17	14%	1%	10	22%	14%	19	7%	6%
N500	153	4755	7%	5%	761	8%	4%	434	4%	3%	1033	4%	5%
Large Cap	46	4095	6%	4%	663	8%	3%	377	6%	2%	910	5%	6%
Mid Cap	49	357	9%	5%	61	3%	-1%	37	-1%	-1%	85	2%	-2%
Small Cap	58	303	4%	9%	36	2%	39%	20	-17%	26%	38	-14%	8%

Source: Bloomberg, Capitaline, I-Sec research, LGT

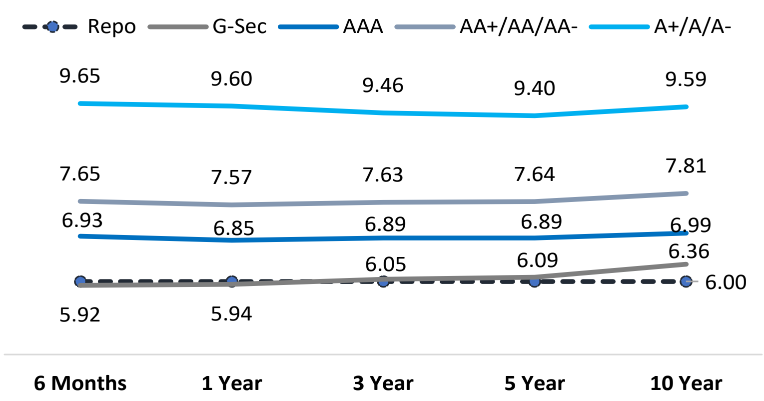
INDIA FIXED INCOME: 2025 – A YEAR TO CAPITALISE

As of May 2025, India's fixed-income market benefits from a favorable environment characterized by declining yields and ample liquidity. The yield on the 10-year government bond has decreased to approximately 6.36%, down from 6.58% at the close of FY25. This decline is driven by significant liquidity support from the Reserve Bank of India (RBI), which includes bond purchases totaling ₹4.5 trillion. The yield curve is currently experiencing a bull steepening, where short-term yields fall more sharply than longer-term yields. The spread between the 10-year and 1-year government securities has widened to about 42 basis points, up from 14 at the end of FY25. Looking ahead, we anticipate a further 50 basis-point rate cut cycle by the RBI towards the end of FY26. Inflation is expected to remain well within the Monetary Policy Committee's target range, and domestic growth is projected to return to its long-term potential. Consequently, the policy stance is expected to become increasingly accommodative.

We foresee the yield curve steepening further, with the 10-year government security yield likely trading within the 6.20% to 6.50% range in the near term. Given the current macroeconomic dynamics and the risk-reward profile, we recommend maintaining an overweight position in the medium—to long-end of the yield curve, as it presents an attractive carry and duration opportunity. Additionally, we maintain a neutral view on government securities (G-Secs) relative to corporate bonds, considering the relatively wider spread dynamics.

Debt Market Snapshot

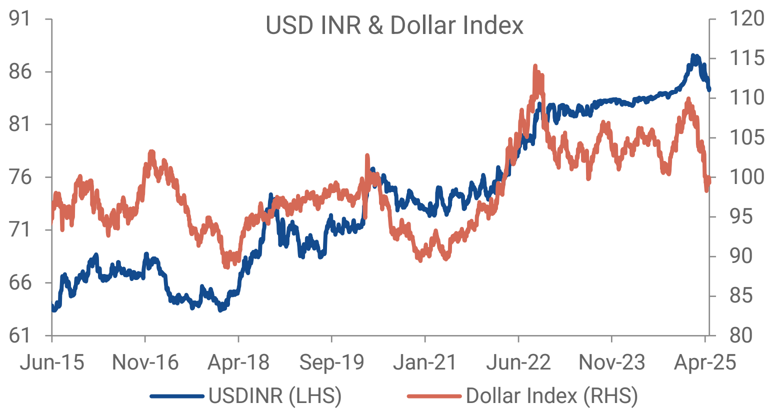
Yield Levels as of April 30, 2025



Source: Bloomberg

CURRENCY: TRACKING SHIFTS ACROSS THE CURRENCY SPECTRUM

The Indian rupee (INR) has recently appreciated, supported by favorable global and domestic factors, including a decline in crude oil prices that has eased concerns over India's import expenses. However, the INR remains vulnerable to potential risks, such as disappointing economic data from China and possible interventions by the Reserve Bank of India to maintain the rupee's stability. Ongoing global trade tensions and geopolitical uncertainties also call for a cautious outlook. Meanwhile, the US dollar has weakened in recent weeks, trading below expectations based on interest rate differentials, which reflects both cyclical and structural challenges. The usual drivers of the dollar's strength have also diminished in their effect. Given these factors, we anticipate that the US dollar will continue to trend downward due to inconsistent tariff policies and a narrowing long-term growth gap between the US and other regions. We maintain a neutral stance on the USD/INR exchange rate for these reasons.



Source: Bloomberg, LGT

TACTICAL ASSET ALLOCATION (TAA) VIEWS & PERFORMANCE

Asset Class Pairs	View	Favouring	Start Date	End Date / Open	Call Status	Alpha Return
Equities Vs Bonds	Positive	Equities	31-Dec-18	30-Apr-19	Close	5.90%
Large Cap Vs Mid Cap	Negative	Mid Cap	31-Dec-18	31-Jan-20	Close	-8.00%
Short Term Vs Long Term	Positive	Short Term	30-Nov-18	31-Dec-21	Close	-6.00%
USD / INR	Positive	USD	30-Nov-18	31-Jan-19	Close	2.20%
USD / INR	Positive	USD	31-Mar-19	30-Apr-19	Close	0.60%
USD / INR	Positive	USD	31-Jul-19	31-Dec-19	Close	3.70%
Gold Vs Cash	Negative	Cash	30-Nov-18	28-Feb-19	Close	-7.60%
Gold Vs Cash	Positive	Gold	31-Mar-19	30-Jun-21	Close	32.00%
Equities Vs Bonds	Positive	Equities	30-Nov-20	30-Apr-21	Close	11.80%
USD / INR	Negative	INR	31-Dec-20	31-Jan-21	Close	0.20%
USD / INR	Positive	USD	28-Feb-21	31-May-21	Close	-1.20%
USD / INR	Negative	INR	31-Aug-21	30-Sep-21	Close	-1.70%
Large Cap Vs Mid Cap	Negative	Mid Cap	31-Oct-20	30-Nov-21	Close	26.70%
Equities Vs Bonds	Positive	Equities	31-May-21	30-Nov-21	Close	8.90%
Short Term Vs Long Term	Positive	Short Term	30-Nov-18	31-Dec-21	Close	-5.90%
USD / INR	Positive	USD	31-Oct-21	31-Dec-21	Close	-0.70%
Gold Vs Cash	Positive	Gold	31-Jul-21	31-Jan-22	Close	-2.60%
Large Cap Vs Mid Cap	Positive	Large Cap	31-Dec-21	30-Apr-22	Close	0.90%
Gold Vs Cash	Positive	Gold	28-Feb-22	31-May-22	Close	-1.80%
Short Term Vs Long Term	Positive	Short Term	28-Feb-22	30-Jun-22	Close	2.20%
USD / INR	Positive	USD	31-Jan-22	31-Jul-22	Close	6.20%
Large Cap Vs Mid Cap	Positive	Large Cap	30-Jun-22	31-Jul-22	Close	-2.80%
Equities Vs Bonds	Positive	Equities	31-Dec-21	30-Sep-22	Close	0.80%
USD / INR	Negative	INR	31-Jul-22	30-Sep-22	Close	-2.60%
Large Cap Vs Mid Cap	Negative	Mid Cap	31-Jul-22	30-Nov-22	Close	-0.60%
USD / INR	Positive	USD	30-Sep-22	30-Nov-22	Close	0.10%
Gold Vs Cash	Negative	Cash	30-Jun-22	30-Sep-22	Close	6.50%
Equities Vs Bonds	Positive	Equities	31-Oct-22	31-Dec-22	Close	-2.00%
Large Cap Vs Mid Cap	Positive	Large Cap	30-Nov-22	31-Dec-22	Close	-1.80%
USD / INR	Negative	INR	31-Dec-22	31-Jan-23	Close	1.00%
Large Cap Vs Mid Cap	Negative	Mid Cap	31-Dec-22	31-Jan-23	Close	1.00%
Large Cap Vs Mid Cap	Positive	Large Cap	31-Jan-23	28-Feb-23	Close	-1.10%
USD / INR	Positive	USD	28-Feb-23	31-Mar-23	Close	-0.60%
Large Cap Vs Mid Cap	Positive	Large Cap	31-Mar-23	30-Apr-23	Close	1.70%
Corp Bonds Vs G-Secs	Positive	Corp Bonds	30-Nov-18	30-Jun-23	Close	7.80%
Short Term Vs Long Term	Positive	Short Term	30-Nov-22	30-Jun-23	Close	-0.97%
Equities Vs Bonds	Positive	Equities	31-Mar-23	30-Jun-23	Close	8.10%
Gold Vs Cash	Positive	Gold	30-Nov-22	31-Jul-23	Close	8.80%
USD / INR	Negative	INR	30-Apr-23	31-Aug-23	Close	-1.20%
Large Cap Vs Mid Cap	Negative	Mid Cap	31-Jul-23	31-Jul-23	Close	6.10%
Gold Vs Cash	Negative	Cash	30-Sep-23	31-Oct-23	Close	-6.32%
USD / INR	Positive	USD	30-Sep-23	31-Dec-23	Close	0.20%
Gold Vs Cash	Positive	Gold	31-Dec-23	30-Jun-24	Close	10.14%
USD / INR	Negative	INR	31-Dec-23	30-Sep-24	Close	-0.71%
Gold Vs Cash	Negative	Cash	30-Jun-24	30-Sep-24	Close	-12.32%
Corp Bonds Vs G-Secs	Negative	G-Secs	31-Jul-23	31-Mar-25	Close	-0.13%
Short Term Vs Long Term	Negative	Long Term	30-Jun-23	30-Apr-25	Open	-6.76%
Large Cap Vs Mid Cap	Positive	Large Cap	30-Sep-23	30-Apr-25	Open	-6.62%
Equities Vs Bonds	Positive	Equities	30-Nov-24	30-Apr-25	Open	-6.37%

M-o-m Summary	Equity vs Bonds	Large vs Mid	Corp. Bond vs. G-Secs	ST vs LT	USD vs. INR	Gold vs Cash
% of Months calls issued	50.0%	83.3%	96.2%	91.0%	60.3%	76.9%
Success Ratio (%)	57.9%	45.3%	57.3%	50.0%	55.3%	56.7%
Avg. positive alpha	4.2%	2.4%	0.6%	0.6%	1.0%	3.8%
Avg. negative alpha	-2.6%	-2.2%	-0.6%	-0.9%	-0.7%	-3.3%
Avg. alpha	1.4%	-0.1%	0.1%	-0.2%	0.2%	0.7%

Source: Bloomberg. Assuming a 6% annualized yield for cash. Note: Returns as of 30th April 2025.

GLOBAL ASSET PERFORMANCE SNAPSHOT

	Asset	Current	1m	3m	6m	1y		Current	1m	3m	6m	1y
	Equities						Commodities					
Global	S&P 500 INDEX	5,569	-0.8%	-7.8%	-2.4%	10.6%	TR Commodity CRB Index	288.8	-6.6%	-5.3%	3.2%	-0.9%
Global	EURO STOXX 50 Price EUR	5,160	-1.7%	-2.4%	6.9%	4.9%	Indian Crude Oil Basket	62.7	-17.0%	-20.9%	-13.2%	-29.1%
Global	FTSE 100 Index	8,495	-1.0%	-2.1%	4.7%	4.3%	Brent	63.1	-15.5%	-17.8%	-13.7%	-28.2%
Global	Nikkei 225	36,045	1.2%	-8.9%	-7.8%	-6.1%	Gold	3,288.7	5.3%	17.5%	19.9%	43.8%
India	NSE Nifty 50 Index	24,334	3.5%	3.5%	0.5%	7.7%	Aluminium	2,387.2	-5.1%	-8.3%	-8.2%	-7.0%
India	NIFTY Midcap 100	54,125	4.7%	0.8%	-3.5%	6.4%	Copper	456.0	-9.4%	6.6%	5.1%	-0.1%
India	NIFTY Smallcap 100	16,449	2.2%	-2.7%	-11.6%	-3.3%	Corn	467.3	2.2%	-3.1%	13.8%	6.3%
India	NSE Nifty 500 Index	22,030	3.2%	2.1%	-2.9%	4.9%	Soyabean	1,044.5	1.6%	-2.6%	0.6%	-11.7%
	Fixed Income						Currencies					
Global	US Generic Govt 10 Yr	4.16%	4.21%	4.54%	4.28%	4.68%	Dollar Index	99.47	-4.6%	-8.2%	-4.3%	-6.4%
Global	German Bunds	2.44%	2.74%	2.46%	2.39%	2.58%	EUR/USD	1.13	4.7%	9.3%	4.1%	6.2%
Global	JGB 10Yr Comp Yield	1.33%	1.50%	1.25%	0.95%	0.88%	USD/JPY	143.07	-4.6%	-7.8%	-5.9%	-9.3%
Global	UK Gilts 10 Yr	4.44%	4.68%	4.54%	4.45%	4.35%	GBP/USD	1.33	3.2%	7.5%	3.3%	6.7%
Global	China 10Y	1.63%	1.82%	1.63%	2.15%	2.31%	USD/CHF	0.83	-6.6%	-9.3%	-4.4%	-10.2%
India	India 10Y	6.36%	6.58%	6.70%	6.85%	7.19%	USD/CNY	7.27	0.2%	0.4%	2.2%	0.4%
India	FBIL FBTB12M	5.90%	6.44%	6.57%	6.54%	7.06%	USD/HKD	7.76	-0.3%	-0.5%	-0.2%	-0.9%
India	India 10Y AAA	7.08%	7.20%	7.17%	7.34%	7.58%	USD/INR	84.50	-1.1%	-2.4%	0.5%	1.3%
India	India 1Y AAA	6.89%	7.41%	7.71%	7.63%	7.80%	USD/CAD	1.38	-4.1%	-5.1%	-1.0%	0.2%

Source: Bloomberg Equity/Fixed Income Returns/Yields in local currencies. Commodities in USD. Numbers for Fixed Income are Yields as of April 30, 2025.

Glossary:

US: United States, GDP: Gross Domestic Product, EU: European Union, SD: Standard Deviation, CAGR: Compounded Annual Growth Rate, RBI: Reserve Bank of India, G-Sec: Government Securities, bps: Basis Points, REER: Real effective exchange rate, PE: Price to Earnings Ratio, UK: United Kingdom, AI: Artificial Intelligence, ETFs: Exchange Traded Funds, GST: Goods and Services Tax, IT: Information Technology, FMCG: Fast moving consumer goods, EPS: Earnings Per Share, RBI: Reserve Bank of India, CASA: Current Account and Savings Account, CD Ratio: Credit Deposit Ratio, INR: Indian Rupee

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