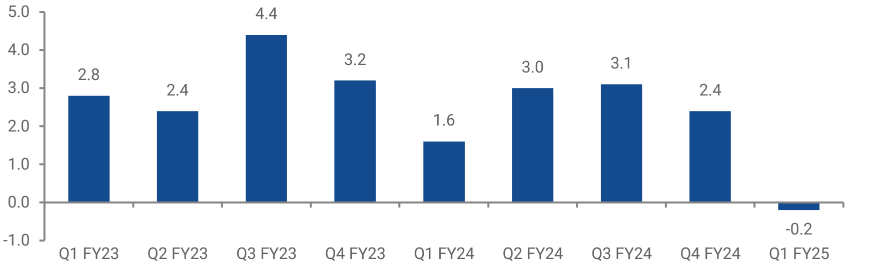
Wealth India

MONTHLY INVESTMENT PERSPECTIVES
June-25

GLOBAL MACRO: RECALIBRATING THE MACRO LANDSCAPE

Global macroeconomic conditions and markets are navigating a challenging situation, marked by trade tensions, shifting capital flows, and changing monetary policies. The global economy is expected to slow down slightly in 2025, with major institutions forecasting global growth to be below 3%. However, the overall picture remains uneven, with regional differences in growth potential and policy responses. The economic cycle is entering a period of recalibration, where volatility replaces stability and macroeconomic tailwinds are no longer consistent. PMI readings show mixed trends: the Global composite PMI eased to 50.8, indicating continued but slower expansion. Overall, the global macro environment calls for a cautious and diversified approach, with a focus on policy developments, inflation trajectories, and regional growth differentials.

US GDP QoQ shows period of recalibration

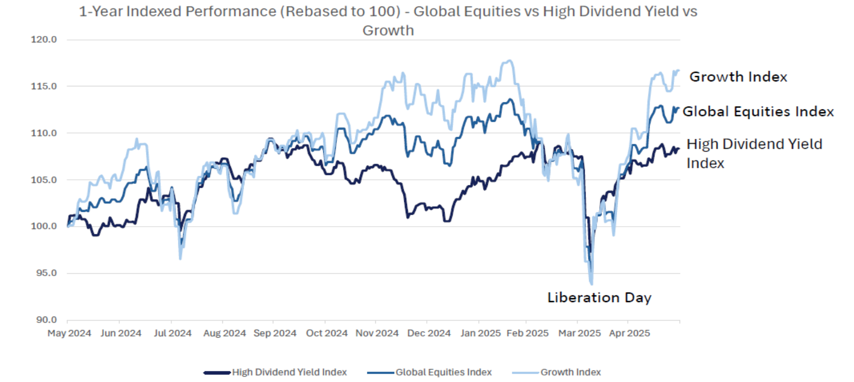


Source: Bloomberg

GLOBAL EQUITIES: SELECTIVE RISK TAKING AMID MACRO DISPERSION

Global equities have reached an all-time high for the first time since February, as indications of a resilient US economy overshadow uncertainty surrounding trade negotiations. Stocks have bounced back from April lows after US President Donald Trump adopted a softer stance on tariffs. Hopes for a US-China trade truce has also lifted sentiment, resulting in a strong comeback for US equity markets, with the S&P 500 approaching its previous highs, driven by optimism in the tech and cyclical sectors. This underscores the underlying differences in growth, valuations, and earnings. The weaker dollar is prompting capital outflows from the US, with emerging Asian markets gaining attention due to their lower debt levels, declining bond yields, and robust growth prospects, potentially surpassing Europe as prime destinations for global capital. The recent pause in US-China tariffs has reduced the risk of recession, but global equity markets may remain volatile amid regional disparities in economic growth and policy support.

Global Equities & Dividend Yields spikes after a softer stance on tariffs

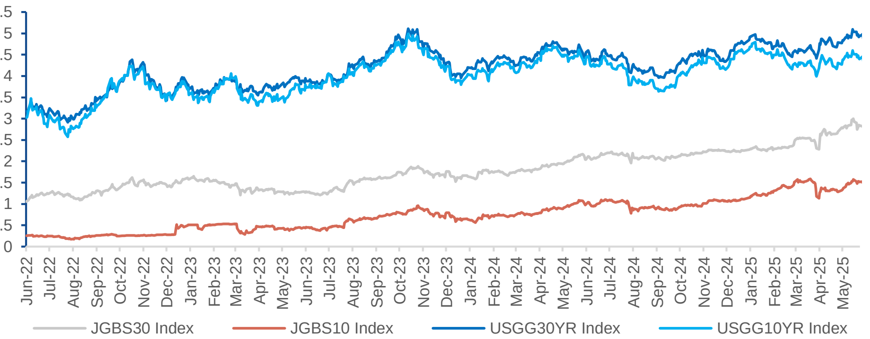


Source: Bloomberg, LGT (02 June 25)

GLOBAL FIXED INCOME: DIVERGING MONETARY POLICIES

Global fixed income is being shaped by a combination of policy divergence, yield curve volatility, and narrow credit spreads. While central banks in Europe, Canada, and many Asian countries are continuing their monetary easing, the US Federal Reserve is holding back due to ongoing inflation risks and high fiscal deficits. This divergence has led to dislocations across global yield curves, creating both opportunities and risks across the duration spectrum. The US yield curve has already steepened, and the Japanese government bond market is under stress due to rising long-end yields. The 30-year Japanese government bond yield has already traded at 3%, the highest since that maturity was first issued in 1999. We expect US 10-year Treasury yields to remain largely range-bound, with intermittent upward pressure driven by resilient US data and evolving rate expectations. However, a structurally higher yield environment appears unlikely in the absence of a meaningful shift in macroeconomic or policy dynamics.

10-30 Yr JGB Yields v/s 10-30 Yr US Treasury Yields

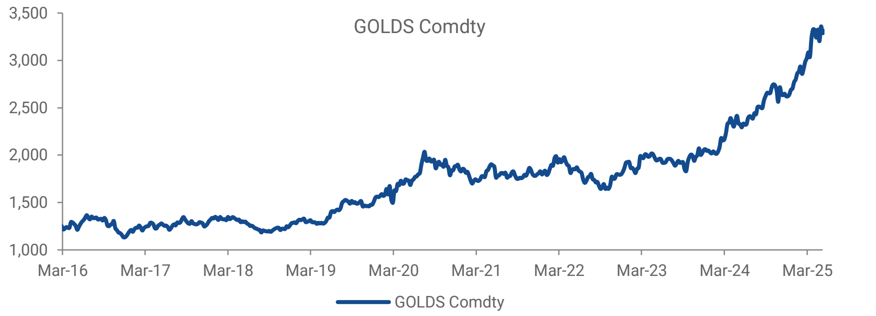


Source: Bloomberg (Apr-25)

GLOBAL COMMODITIES: STRUCTURAL PERSPECTIVE ON TACTICAL DRIVERS

Gold prices remained firm in 2025 and stand out as a core allocation driven by a confluence of structural and tactical factors. Gold prices have appreciated nearly 30% year to date, briefly trading in the $3400/oz range, propelled by heightened safe-haven demand, sustained central bank purchases, and the de-dollarization trend. Central banks globally are on track to purchase over 1,000 tons of gold in 2025, marking the fourth consecutive year of strong official demand, primarily driven by diversification away from the dollar and protection of reserves from geopolitical and economic shocks. While the long-term direction of gold will depend on several evolving macroeconomic factors, including real interest rates, global liquidity conditions, and fiscal policy, the current environment suggests that gold remains a relevant component of portfolios for diversification and risk management purposes.

Global Gold ETF Holdings (moz) have been trending higher

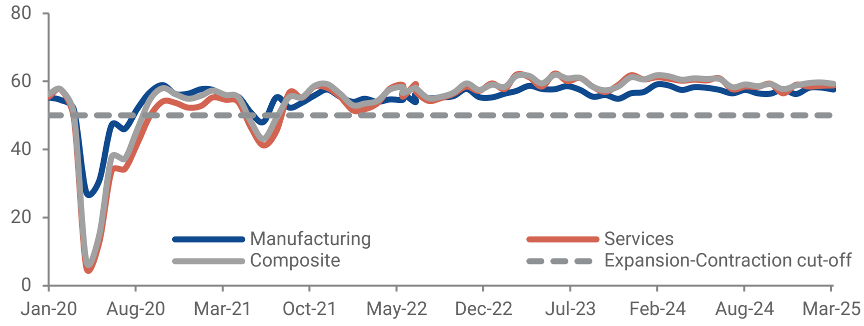


Source: Bloomberg

INDIA MACRO: DOMESTIC DEMAND ANCHORS GROWTH NARRATIVE

India's overall economic picture remains favorable, driven largely by strong domestic demand, slower inflation, and proactive monetary policy. In Q4 FY24, GDP growth recovered to 7.4% year-on-year from 6.4% in the previous quarter. For FY25, GDP growth is expected to be 6.5%, down from 9.2% in FY24. The HSBC manufacturing PMI eased slightly to 57.6 in May, from 58.2 in April, but still shows strong industrial momentum, supported by robust order books and export demand. The composite PMI, which covers both services and manufacturing, increased to 61.2, marking the fastest growth in over a year and indicating ongoing confidence in business and employment. The current resilient economic landscape, backed by domestic demand, a benign inflation environment, and monetary policy front-loading of 100 basis points, looks promising for medium-term structural growth.

Manufacturing PMI recorded ease in momentum



Source: Bloomberg (as of 31 Mar 2025), LGT

INDIA EQUITIES: BUYING THE DIPS

Over the past quarter, corporate India's earnings decreased by 3-5%. This suggests that the economic recovery is still in its early stages, so we need to approach it with cautious optimism. Our fundamental view is that India's equity valuations are reasonable, and the next growth phase will come from corporate and consumer responses to the RBI's June rate cut and the surplus transfer for FY25, which is Rs 2.69 lakh crore - higher than last year. This surplus could help the government boost spending on defense, capital projects, and various schemes. It may also cover any shortfalls in direct tax collection and government disinvestment, and potentially increase railway spending in the Northeast, including train battery storage. The utilities sector could benefit from the return to thermal plants by major groups like Adani and Tata. For IT, FY25 profit margins are still lower than in pre-COVID FY19, and until the US tariff becomes concrete, IT companies are expected to tread cautiously, making them neutral to underweight. Tariffs are still uncertain and have had limited impact on inflation, but many economists expect the White House's import levies to increase price pressures in the coming months. India's capital expenditure, consumption, and investment sectors are well-diversified compared to historical trends. We believe the downside risk to corporate earnings is limited due to this positive macro environment, supporting our "Overweight' stance on equities relative to bonds. In this volatile market, investors should see this as an opportunity to meet their asset allocation goals by investing gradually. From an allocation perspective, the risk-reward balance still favours large-cap stocks over mid-cap stocks, mainly due to the significant changes in valuations that provide a margin of safety.

Corporate India's Earnings Q4-FY25

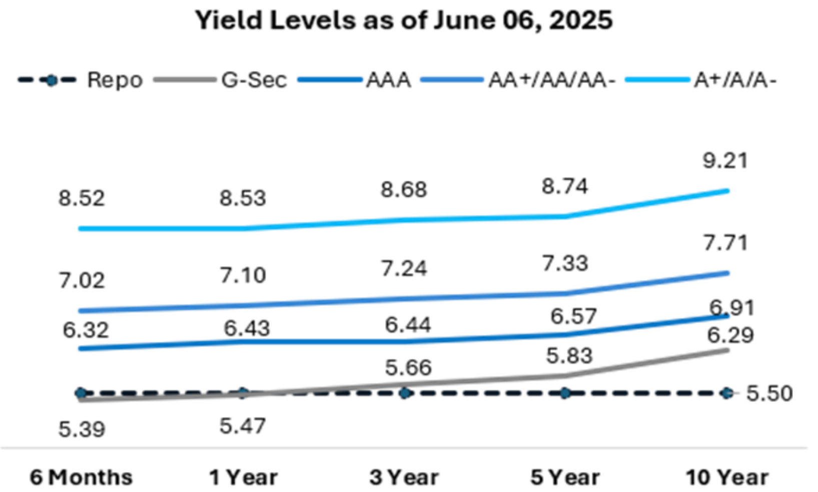
Free float (INR bn)	No*	Sales (ex-financials)			EBITDA (ex-financials)			PAT (ex-financials)			PAT (Incl-financials)		
		Q4FY25	YoY	QoQ	Q4FY25	YoY	QoQ	Q4Y25	YoY	QoQ	Q4FY25	YoY	QoQ
Nifty	50	6546	0.08	-0.01	1290	0.11	0.08	710	0.04	0.09	1211	0.01	0.06
Nifty Next 50	50	2210	0.04	0.04	316	0.12	0.19	161	0.14	0.04	276	0.15	0.07
Nifty Midcap 100	100	1958	0.08	0.06	299	0.17	0.04	135	0.33	0.06	219	0.29	0.05
NSE200	200	10713	0.07	0.01	1905	0.12	0.09	1007	0.09	0.08	1706	0.06	0.06
Nifty Smallcap 100	99	872	0.09	0.06	96	0.12	0.1	51	0.06	0.06	72	0.02	0.03
N500	499	12689	0.08	0.02	2152	0.12	0.09	1144	0.08	0.09	1896	0.06	0.07
N500 (cyclicals)	397	10622	0.073	0.019	1727	0.129	0.118	NA	NA	NA	1583	0.06	0.074
N500 (defensive)	102	2067	0.098	0.013	425	0.098	0.001	NA	NA	NA	313	0.05	0.032
Large Cap	100	8732	0.07	0	1615	0.12	0.09	882	0.06	0.07	1496	0.06	0.08
Mid Cap	147	2321	0.09	0.07	337	0.18	0.09	155	0.31	0.13	251	0.07	0.02
Small Cap	252	1636	0.08	0.06	199	0.09	0.16	106	0	0.14	149	0.01	0.11

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

INDIA FIXED INCOME: 2025 – REMAINING YEAR DURATION WITH DISCIPLINE

As of June 2025, India's fixed income market is benefiting from a supportive macroeconomic environment, characterized by declining interest rates, stable inflation, and increasing investor interest. The Reserve Bank of India has recently lowered the repo rate by 50 bps, along with a 100-bps cut in the CRR, triggering strong rallies in the short term, while the long term remained steady, thus maintaining the yield curve's steepness. The benchmark 10-year G-sec yield traded around 6.24%, down from 6.75% at the end of 2024 and 6.58% at the end of March 2025. The yield curve is currently experiencing a bull steepening trend, with short-term yields declining more sharply than longer-term yields. The spread between the 10-year and 1-year G-secs has widened to about 75 basis points, up from 14 basis points at the end of FY25. Going forward, we anticipate future rate cuts will be data-driven and hence we expect the 10-year G-sec yield to trade within a range of 6.15% to 6.35% in the near term, with the potential to drift towards 5.90% over the medium term. From an investment perspective, considering the current macroeconomic dynamics and risk-reward profile, we recommend maintaining an overweight position in the medium- to long-end of the yield curve, as it offers an attractive carry and duration opportunity. Additionally, we maintain a neutral view on Government Securities (G-Secs) relative to Corporate Bonds, given the relatively wider spread dynamics.

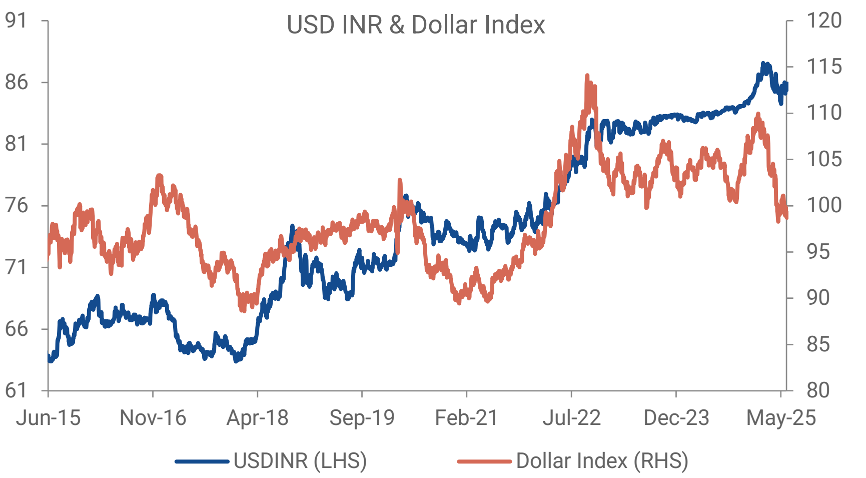
Debt Market Snapshot



Source: Bloomberg

CURRENCY: RANGEBOUND, NOT DIRECTIONLESS

The USD/INR exchange rate is anticipated to remain predominantly range-bound in the near term, bolstered by improving domestic fundamentals and an increase in foreign investments. The depreciation of the US dollar may signify a structural issue; however, volatility persists as a short-term risk. In 2025, the US dollar has undergone a notable decline, attributed to weakening US economic growth, escalating fiscal concerns, trade protectionism, the global trend towards de-dollarization, and a diminishing growth differential in relation to other economies. In emerging markets, the Indian Rupee (INR) has appreciated due to robust underlying economic fundamentals, a declining trajectory of inflation, and manageable external balances. At present, there is a prominent capital shift from the United States to emerging markets, particularly in Asia, driven by growth dynamics and favorable valuations. India sets itself apart with its domestic demand-driven and resilient macroeconomic environment. The INR has already appreciated approximately 2.4% from its low of February 2025, which was recorded at 87.99. In light of the current macroeconomic environment, we foresee that the USD/INR exchange rate will remain within a narrow trading range, and we maintain a neutral stance regarding the USD/INR exchange rate.



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	31-May-25	Open	-5.58%
Large Cap Vs Mid Cap	Positive	Large Cap	30-Sep-23	31-May-25	Open	-12.19%
Equities Vs Bonds	Positive	Equities	30-Nov-24	31-May-25	Open	-4.61%

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	50.6%	83.5%	94.9%	91.1%	59.5%	75.9%
Success Ratio (%)	59.0%	44.6%	57.3%	50.7%	55.3%	56.7%
Avg. positive alpha	4.1%	2.4%	0.6%	0.6%	1.0%	3.8%
Avg. negative alpha	-2.6%	-2.3%	-0.6%	-0.9%	-0.7%	-3.3%
Avg. alpha	1.4%	-0.2%	0.1%	-0.1%	0.2%	0.7%

Source: Bloomberg. Assuming a 6% annualized yield for cash. Note: Returns as of 31st May 2025.

GLOBAL ASSET PERFORMANCE SNAPSHOT

	Asset	Current	1m	3m	6m	1y		Current	1m	3m	6m	1y
	Equities						Commodities					
Global	S&P 500 INDEX	5,912	6.2%	-0.7%	-2.0%	12.0%	TR Commodity CRB Index	290.4	0.6%	-3.8%	1.2%	0.1%
Global	EURO STOXX 50 Price EUR	5,367	4.0%	-1.8%	11.7%	7.7%	Indian Crude Oil Basket	63.8	1.8%	-16.7%	-12.3%	-22.8%
Global	FTSE 100 Index	8,772	3.3%	-0.4%	5.9%	6.0%	Brent	63.9	1.2%	-12.7%	-12.4%	-21.7%
Global	Nikkei 225	37,965	5.3%	2.2%	-0.6%	-1.4%	Gold	3,289.3	0.0%	15.1%	24.4%	41.3%
India	NSE Nifty 50 Index	24,751	1.7%	11.9%	2.6%	9.9%	Aluminium	2,437.9	2.1%	-7.0%	-5.7%	-7.0%
India	NIFTY Midcap 100	57,420	6.1%	19.8%	1.8%	11.1%	Copper	467.8	2.6%	3.6%	14.6%	1.6%
India	NIFTY Smallcap 100	17,883	8.7%	21.7%	-4.1%	7.1%	Corn	444.0	-5.0%	-2.1%	5.0%	-0.5%
India	NSE Nifty 500 Index	22,802	3.5%	14.7%	0.5%	8.0%	Soyabean	1,041.8	-0.3%	0.2%	2.1%	-13.5%
	Fixed Income						Currencies					
Global	US Generic Govt 10 Yr	4.40%	4.16%	4.21%	4.17%	4.50%	Dollar Index	99.33	-0.1%	-7.7%	-6.1%	-5.1%
Global	German Bunds	2.50%	2.44%	2.41%	2.09%	2.66%	EUR/USD	1.13	0.2%	9.4%	7.3%	4.6%
Global	JGB 10Yr Comp Yield	1.52%	1.33%	1.38%	1.06%	1.08%	USD/JPY	144.02	0.7%	-4.4%	-3.8%	-8.4%
Global	UK Gilts 10 Yr	4.65%	4.44%	4.48%	4.24%	4.32%	GBP/USD	1.35	1.0%	7.0%	5.7%	5.6%
Global	China 10Y	1.71%	1.63%	1.78%	2.03%	2.32%	USD/CHF	0.82	-0.4%	-8.9%	-6.7%	-8.9%
India	India 10Y	6.29%	6.36%	6.73%	6.74%	6.98%	USD/CNY	7.20	-1.0%	-1.1%	-0.7%	-0.6%
India	FBIL FBTB12M	5.60%	5.90%	6.53%	6.60%	7.02%	USD/HKD	7.84	1.1%	0.8%	0.8%	0.3%
India	India 10Y AAA	7.03%	7.08%	7.31%	7.28%	7.57%	USD/INR	85.58	1.3%	-2.2%	1.3%	2.5%
India	India 1Y AAA	6.63%	6.89%	7.74%	7.63%	7.72%	USD/CAD	1.37	-0.4%	-5.0%	-1.9%	0.8%

Source: Bloomberg Equity/Fixed Income Returns/Yields in local currencies. Commodities in USD. Numbers for Fixed Income are Yields as of May 31, 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; PMI: Purchasing Managers' Index; FY: Fiscal Year; CRR: Cash Reserve Ratio;

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