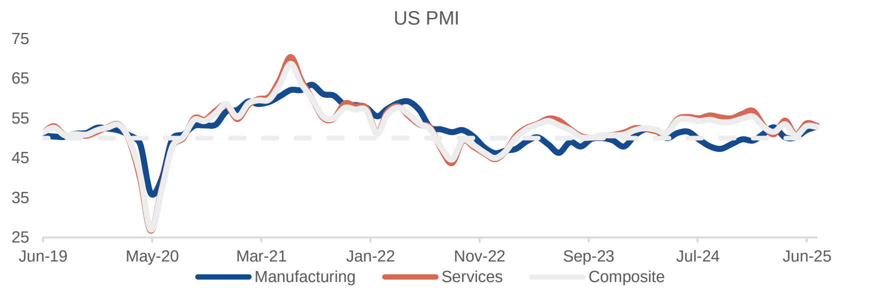
LGT Wealth India

MONTHLY INVESTMENT PERSPECTIVES
July-25

GLOBAL MACRO: NAVIGATING DIVERGENCE IN H2 2025

As we enter the second half of 2025, the global economic environment remains uncertain, shaped by geopolitical tensions, uneven policy responses, and diverging regional growth trajectories. The latest JPMorgan Global Composite PMI stood at 51.5 in July, indicating modest expansion. However, regional disparities persist: the US Services PMI remained strong at 53.2, reflecting resilient domestic demand, while China's Caixin Manufacturing PMI slipped to 49.8, signaling contraction. The Eurozone Composite PMI hovered near 50.1, with Germany and France continuing to show weakness. This divergence in business activity, coupled with easing inflation and asynchronous monetary policy shifts, highlights the need for a cautious and diversified investment approach that focuses on regional dynamics, inflation trends, and policy developments.



Source: Bloomberg

GLOBAL EQUITIES: REBOUND AMID DIVERGING MACRO LANDSCAPE

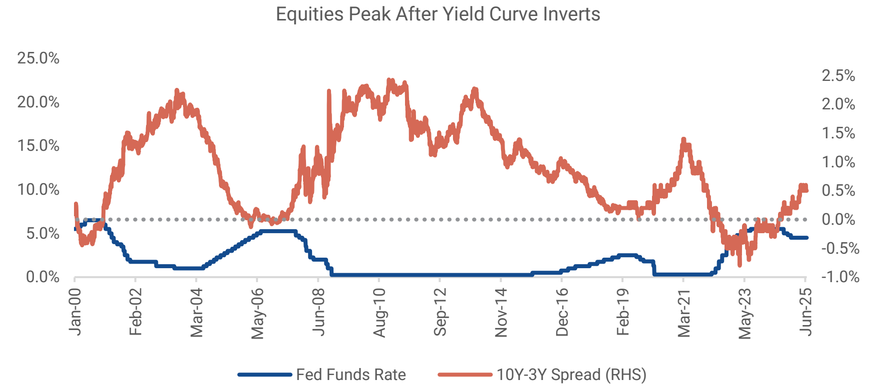
Following a volatile first half of 2025, global equity markets have shown resilience, with major indices rebounding to all-time highs. This recovery has been driven by easing geopolitical tensions, strong corporate earnings, and optimism for rate cuts in the second half. The S&P 500, for instance, rebounded quickly from a decline of more than 15%, closing June at record levels. Growth sectors, especially technology, led gains, with the NASDAQ up 6.6% in June and the S&P 500 Information Technology sector rising 9.8%. However, risks remain. Stagflation fears grow due to softer consumption, high jobless claims, and tariffs rising from 2.5% to 15%. While the labour market remains strong, with 147,000 jobs added in June and unemployment at 4.1%, the Fed is unlikely to cut rates until September amid inflationary pressures. Meanwhile, the valuation gap between the US and Europe hit a record high, prompting regional re-evaluations. From a global allocation perspective, Europe's undervaluation, along with improving macroeconomic fundamentals such as rising manufacturing PMIs and stable credit growth, makes it more attractive for capital in the second half of 2025.

Global Indices	Px Last	Change in %				52 Week		Current PE	3 Year Avg PE
		1 Day	1 Month	1 Year	YTD	High	Low		
Nasdaq 100[1]	22,867	0.99	5.27	13.28	8.83	22,896	16,542	34.96	28.55
Nasdaq Composite[1]	20,601	1.02	5.86	13.27	6.68	20,625	14,784	32.27	20.82
FTSE 100	8,823	0.00	0.25	7.06	7.95	8,909	7,545	16.66	11.93
CAC 40	7,696	-0.75	-1.39	0.01	4.28	8,258	6,764	16.77	13.13
DAX	23,787	-0.61	-2.01	28.93	19.48	24,479	17,025	18.65	23.36
Nikkei	39,811	0.06	5.47	-2.70	-0.21	42,427	30,793	19.05	18.13
Hang Seng	23,916	-0.64	1.11	32.66	19.22	24,874	16,441	11.02	9.92
SSE Composite Index	3,472	0.32	2.85	17.40	3.60	3,674	2,690	12.00	12.13

Source: MFI 360 Explorer (Returns are based in local currency), LGT

GLOBAL FIXED INCOME: ADJUSTING AMID EVOLVING MACRO LANSCAPE

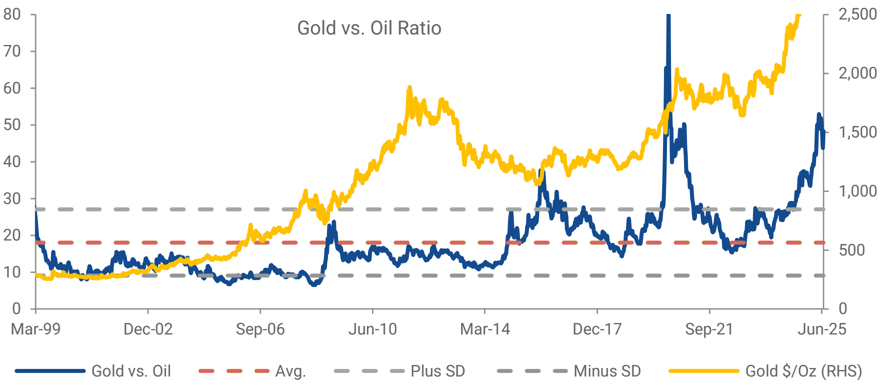
As we enter the second half of 2025, global fixed income markets are regaining strategic importance amid stabilizing yields and persistent inflation uncertainty. The fading dominance of the U.S. dollar and increased fiscal spending under the One Big Beautiful Bill (OBBA) have raised concerns about long-term debt sustainability and inflationary pressures. The Federal Reserve's latest Summary of Economic Projections (SEP) reflects a stagflationary tone, with median GDP growth revised downward and core PCE inflation now expected to reach 3% YoY by year-end. Given this backdrop, the Fed is likely to maintain its current policy stance in the near term, with two rate cuts anticipated later in 2025 as economic momentum softens. The US 10-year Treasury yield is expected to remain in the 4.2%–4.4% range, reflecting cautious investor sentiment and policy inertia. In contrast, emerging markets have begun easing rates, supported by declining inflation and improving external balances. This has led to a broad-based decline in EM sovereign yields, enhancing the appeal of local currency debt for global investors seeking diversification and real yield opportunities.



Source: Bloomberg (Jun-25)

GLOBAL COMMODITIES: STRUCTURAL PERSPECTIVE ON TACTICAL DRIVERS

Gold experienced a significant surge in 2025, emerging as a core portfolio allocation driven by a blend of structural and tactical factors. Prices have been approximately 25% higher year-to-date, briefly surpassing $3,300/oz, driven by heightened geopolitical tensions, robust central bank purchases, and renewed investor interest through ETFs. With inflation stabilizing and interest rates on pause, gold continues to serve as a reliable safe-haven asset amid global uncertainty. While its long-term trajectory will hinge on evolving macroeconomic variables—such as real interest rates, global liquidity, and fiscal policy, the current landscape underscores gold's relevance for portfolio diversification and risk management.



Source: Bloomberg

INDIA MACRO: DOMESTIC DEMAND ANCHORS GROWTH NARRATIVE

India's macroeconomic outlook for July 2025 presents a vibrant mix of resilient domestic demand, rising private and public investments, and evolving monetary policy dynamics. With inflation under control, the Reserve Bank of India initiated its rate cut cycle early, reducing interest rates by 50 basis points in June to stimulate growth. The manufacturing sector remains robust, with the PMI reaching a 14-month high of 58.4, while the services PMI climbed to 60.4, marking a 10-month peak, both signaling strong expansion. India's GDP grew by 6.5% in FY 2024–25, reinforcing its position as the fastest-growing major economy. This momentum is supported by easing inflation, buoyant capital markets, and record-high exports. Additionally, key indicators such as record foreign exchange reserves, a manageable current account deficit, and rising foreign investment reflect growing global confidence in India's long-term economic prospects. Favorable liquidity conditions, improving consumption, and sustained investment activity point toward a strong and balanced medium-term structural growth trajectory.

INDIA EQUITIES: BUYING THE DIPS

India is entering a phase of macroeconomic and earnings normalization, navigating global headwinds such as geopolitical tensions and market volatility with relative resilience. The economy has been buoyed by proactive policy measures, including an unexpected 50-bps rate cut by the Reserve Bank of India, liquidity support, and continued government emphasis on infrastructure and fiscal discipline. While external risks remain, India's stable macro fundamentals, strong domestic investor participation, and supportive policy environment position it for potential outperformance in the second half of FY26. As of 1QFY26, the country is transitioning from a subdued FY25 earnings cycle to a more stable and broad-based profit recovery, driven by easing inflation, effective policy responses, and steady domestic investment. A favorable monsoon and signs of rural revival are boosting consumption prospects, and corporate earnings are expected to show significant growth with wider sectoral participation. Although valuations are slightly elevated, they are supported by improving earnings visibility, policy stability, and India's structurally resilient, domestically driven economy. The return on equity (ROE) outlook remains steady at 15%, reflecting robust corporate profitability. Currently, a neutral stance on large and mid-cap equities is warranted, with large caps offering safety margins and mid-caps presenting compelling growth opportunities.

INDIA FIXED INCOME: BALANCING DURATION AND CREDIT

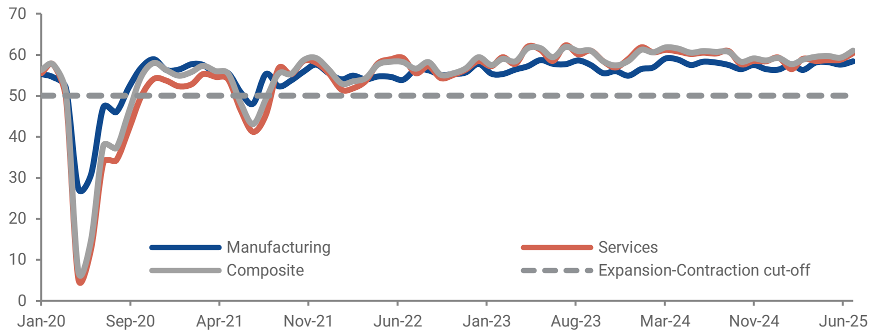
India's fixed-income market is entering a constructive phase, supported by a favorable macro backdrop of stable inflation and steady growth. The Reserve Bank of India's 50-bps rate cut in June has opened a window for investors to lock in attractive real yields. The government bond yield curve has flattened at the long end but remains steep in the 3–7-year segment, where the 5-year G-Sec trades around 6.00% and the 10-year benchmark at approximately 6.30%. State Development Loans (SDLs) continue to offer a 25–30 basis point premium, making them appealing for incremental yield without compromising credit quality. In the corporate bond space, shorter maturities dominate issuance as both issuers and investors prefer lower duration amid falling rates. AAA-rated NBFCs and PSUs are raising funds at 6.60–6.80% for 5-year tenors, offering spreads of 80–100 bps over comparable G-Secs. The 5–7-year segment of the curve offers a sweet spot for investors seeking a balance of carry and roll-down potential. Long-duration positions should be approached selectively, considering global rate trends and domestic supply dynamics.

A laddered portfolio strategy—blending duration and credit quality—is recommended to build resilient carry and mitigate macro risks. From a tactical standpoint, we maintain a neutral view on duration and an overweight stance on corporate bonds relative to government securities, reflecting a preference for spread capture and credit quality in a falling rate environment.

CURRENCY: RANGEBOUND, NOT DIRECTIONLESS

The USD/INR exchange rate is expected to remain range-bound this month, trading between ₹85.19 and ₹86.91, supported by India's resilient macroeconomic fundamentals, easing inflation, and strong foreign investment inflows. The narrowing interest rate and inflation differentials between India and the U.S. have compressed forward premia, though this could reverse once the Fed resumes its rate cut cycle while Indian rates stabilize near the lower bound. Despite a 2.4% appreciation from its February low, the INR has gained competitiveness relative to its peers, reflecting investor confidence and capital flows into emerging markets. The RBI is likely to maintain its two-sided intervention strategy in the FX market, avoiding aggressive defense of appreciation unless divergence from peers occurs. Meanwhile, the U.S. dollar continues to face structural headwinds from slowing growth, fiscal imbalances, and global de-dollarization trends, reinforcing a neutral outlook for the USD/INR pair in the near term.

Manufacturing PMI recorded improving growth trajectory



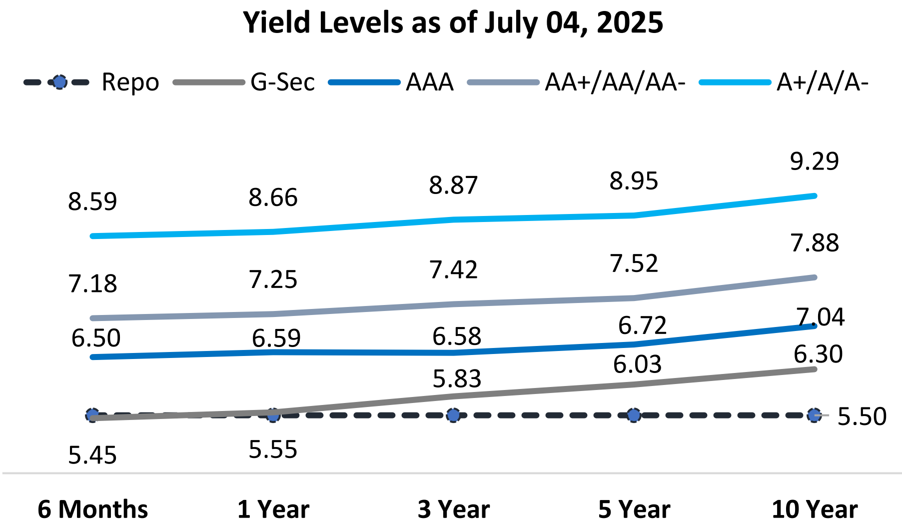
Source: Bloomberg (as of 30 Jun 2025)

Corporate India's Earnings Q4-FY25

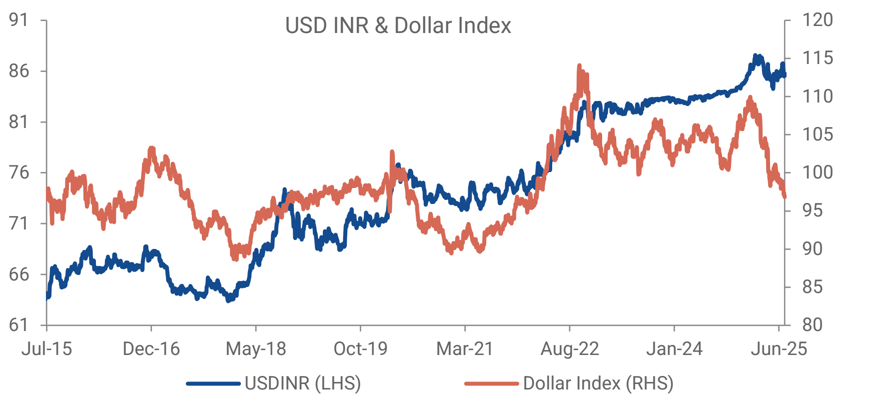
Indian Indices	Px Last	Change in %				52 Week		Current PE	3 Year Avg PE
		1 Day	1 Month	1 Year	YTD	High	Low		
Nifty 50	25,461	0.22	3.42	4.77	7.68	26,277	21,744	22.92	21.92
Nifty 100	26,067	0.24	3.27	2.86	6.41	27,336	22,177	22.75	22.50
Nifty 500	23,562	0.17	3.31	2.83	5.31	24,573	19,520	25.28	23.79
Nifty Midcap 100	59,678	-0.01	3.03	5.40	4.33	60,926	46,866	33.63	30.11
Nifty Smallcap 250	17,762	0.02	4.11	0.97	0.06	18,688	13,315	33.79	25.53
Nifty SME Emerge	14,891	0.74	3.29	-3.40	-10.33	17,224	11,930	32.74	48.70
Sector Indices	**Px Last**	**Change in %**				**52 Week**		**Current PE**	**3 Year Avg PE**
		1 Day	**1 Month**	**1 Year**	**YTD**	**High**	**Low**		
Nifty Auto	23,980	-0.10	2.78	-5.46	5.02	27,696	19,317	25.03	29.63
Nifty Bank	57,032	0.42	2.43	7.40	12.13	57,628	47,703	15.12	15.75
Nifty FMCG	54,736	0.40	-1.43	-4.07	-3.63	66,439	50,199	41.32	43.79
Nifty IT	39,167	0.80	6.03	3.82	-9.63	46,089	30,919	28.92	28.52
Nifty Media	1,762	0.66	1.88	-13.85	-3.09	2,182	1,344	608.16	728.64
Nifty Metal	9,580	-0.45	4.39	-3.59	10.76	10,322	7,690	19.47	20.94
Nifty Pharma	22,385	0.81	4.74	10.86	-4.39	23,908	19,121	32.11	34.13
Nifty Realty	972	0.91	-0.42	-13.18	-7.64	1,141	766	48.34	50.52
Nifty Energy	36,510	0.40	2.17	-12.76	3.76	45,022	29,313	16.24	13.63

Source: MFI 360 Explorer

Debt Market Snapshot



Source: Bloomberg



Source: Bloomberg

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-Jun-25	Close	-2.37%
Large Cap Vs Mid Cap	Positive	Large Cap	30-Sep-23	30-Jun-25	Close	-13.85%
Equities Vs Bonds	Positive	Equities	30-Nov-24	30-Jun-25	Open	-0.70%

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%	-2.2%	-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 30th Jun 2025.

GLOBAL ASSET PERFORMANCE SNAPSHOT

	Asset	Current	1m	3m	6m	1y		Current	1m	3m	6m	1y
		Equities						Commodities				
Global	S&P 500 INDEX	6,205	5.0%	10.6%	5.5%	13.6%	TR Commodity CRB Index	297.3	2.4%	-3.9%	0.2%	2.3%
Global	EURO STOXX 50 Price EUR	5,303	-1.2%	1.0%	8.3%	8.4%	Indian Crude Oil Basket	68.8	7.8%	-8.9%	-9.1%	-20.0%
Global	FTSE 100 Index	8,761	-0.1%	2.1%	7.2%	7.3%	Brent	67.6	5.8%	-9.5%	-9.4%	-21.8%
Global	Nikkei 225	40,487	6.6%	13.7%	1.5%	2.3%	Gold	3,303.1	0.4%	5.7%	25.9%	42.0%
India	NSE Nifty 50 Index	25,517	3.1%	8.5%	7.9%	6.3%	Aluminium	2,597.8	6.6%	3.2%	2.4%	4.3%
India	NIFTY Midcap 100	59,741	4.0%	15.6%	4.4%	7.2%	Copper	503.0	7.5%	-0.1%	24.9%	14.6%
India	NIFTY Smallcap 100	19,075	6.7%	18.5%	1.6%	4.1%	Corn	420.5	-5.3%	-8.0%	-8.3%	5.9%
India	NSE Nifty 500 Index	23,617	3.6%	10.7%	5.5%	4.7%	Soyabean	1,027.0	0.0%	0.8%	0.2%	-6.8%
		Fixed Income						Currencies				
Global	US Generic Govt 10 Yr	4.23%	4.40%	4.21%	4.57%	4.40%	Dollar Index	96.88	-2.5%	-7.0%	-10.7%	-8.5%
Global	German Bunds	2.61%	2.50%	2.74%	2.36%	2.50%	EUR/USD	1.18	3.9%	9.0%	13.8%	10.0%
Global	JGB 10Yr Comp Yield	1.46%	1.52%	1.50%	1.11%	1.06%	USD/JPY	144.03	0.0%	-4.0%	-8.4%	-10.5%
Global	UK Gilts 10 Yr	4.49%	4.65%	4.68%	4.57%	4.17%	GBP/USD	1.37	2.0%	6.3%	9.7%	8.6%
Global	China 10Y	1.65%	1.71%	1.82%	1.68%	2.21%	USD/CHF	0.79	-3.6%	-10.3%	-12.6%	-11.8%
India	India 10Y	6.32%	6.29%	6.58%	6.76%	7.01%	USD/CNY	7.16	-0.5%	-1.3%	-1.9%	-1.4%
India	FBIL FBTB12M	5.52%	5.60%	6.44%	6.68%	6.93%	USD/HKD	7.85	0.1%	0.9%	1.0%	0.5%
India	India 10Y AAA	7.11%	7.03%	7.20%	7.24%	7.55%	USD/INR	85.75	0.2%	0.3%	0.2%	2.8%
India	India 1Y AAA	6.70%	6.63%	7.41%	7.78%	7.74%	USD/CAD	1.36	-1.0%	-5.4%	-5.4%	-0.5%

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

LGT Wealth India Private Limited

Registered Office: 7th Floor, A Block, Shiv Sagar Estate, Worli, Mumbai -400018. Tel No: +91 22 62396028 | E-Mail: info@lgtindia.in

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