



Wealth
India

MONTHLY INVESTMENT PERSPECTIVES August-25

GLOBAL MACRO: RECALIBRATING THE MACRO LANDSCAPE

Global economic momentum has shown modest improvement, with the IMF projecting growth at 3.0% for 2025 and 3.1% for 2026. This outlook is supported by easing trade tensions, fiscal stimulus, and resilient consumer demand across key economies. Inflation is gradually moderating, though it remains elevated in several advanced markets, prompting central banks to maintain cautious and data-dependent monetary stances. However, the global manufacturing sector weakened in July 2025, reflecting declines in output, new orders, exports, and a deterioration in business confidence and employment. These indicators suggest that the industrial recovery remains fragile and uneven. Looking ahead to the second half of 2025, the global economic environment is expected to remain uncertain and fragmented, shaped by geopolitical tensions, asynchronous policy responses, and divergent regional growth trajectories. This divergence in business activity, combined with easing inflation and non-uniform monetary policy shifts, underscores the importance of a cautious and diversified investment strategy. We recommend a focus on regional dynamics, inflation trends, and policy developments to navigate this evolving landscape effectively. A balanced approach that emphasises risk management and selective exposure will be key to capturing opportunities while mitigating downside risks.

GLOBAL EQUITIES: SELECTIVE RISK TAKING AMID MACRO DISPERSION

Global equity markets entered August with mixed momentum, shaped by geopolitical developments, tariff negotiations, and central bank policy signals. While July saw a broad-based rally, August began with heightened volatility, particularly in response to new US tariff announcements and weaker-than-expected employment data. US S&P 500 rebounded to a new all-time high in July, mainly driven by strong corporate earnings and optimism around trade policy. While European and Asian equities showed mixed performance amid trade uncertainty and diverging growth dynamics. YTD Emerging markets have outperformed developed peers recently, driven by Chinese equity strength, resilient consumer demand, and fiscal support. Global equities are navigating a cautiously optimistic environment, with modest gains supported by easing inflation, resilient consumer demand, and fiscal stimulus across key regions. While developed markets continue to benefit from tech-led momentum, emerging markets—particularly China—have rebounded on policy support. However, recent weakness in global manufacturing and persistent trade uncertainties highlight the need for a selective and diversified investment approach, focusing on regional dynamics and macro policy shifts to manage risk and capture growth opportunities.

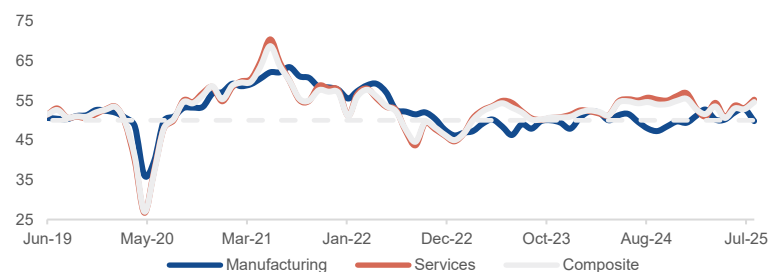
GLOBAL FIXED INCOME: DIVERGING MONETARY POLICIES

Global fixed income markets are navigating a shifting landscape shaped by evolving growth and inflation dynamics. A mix of policy divergence, yield curve volatility, and compressed credit spreads is influencing the broader yield environment. While central banks in Europe, Canada, and parts of Asia continue to ease policy, the U.S. Federal Reserve remains cautious due to persistent inflation and elevated fiscal deficits. This divergence has led to notable dislocations across global yield curves, presenting both tactical opportunities and duration risks. Following a softer U.S. jobs report, market expectations for a September rate cut have strengthened, triggering a pullback in the dollar and U.S. 10-year yields—signaling improved global liquidity conditions. The U.S. curve currently reflects bullish signals at the short and intermediate tenors, with a steepening bias at the long end. In this context, we believe duration exposure should be actively managed, especially given the contrasting policy paths in the U.S., Europe, and Japan. The interplay between fiscal pressures, central bank actions, and market sentiment continues to create a dynamic environment for fixed income investors, requiring a flexible and risk-aware approach across the curve.

GLOBAL COMMODITIES: STRUCTURAL PERSPECTIVE ON TACTICAL DRIVERS

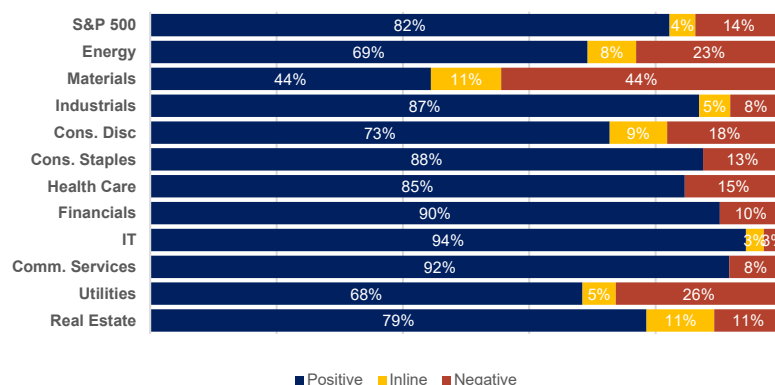
Gold prices remained firm in 2025 and stand out as a core allocation driven by a confluence of structural and tactical factors. Gold prices have appreciated nearly 30% year to date, briefly trading in the \$3400/oz range, propelled by heightened safe-haven demand, sustained central bank purchases, and 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.

US PMI



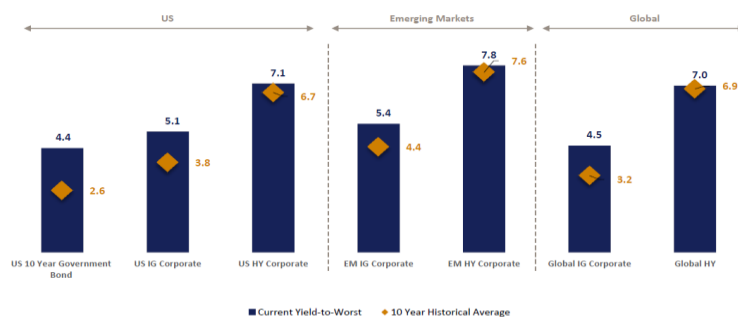
Source: Bloomberg (as of 04 Aug, 2025)

Global Equity Earnings Q1 FY26



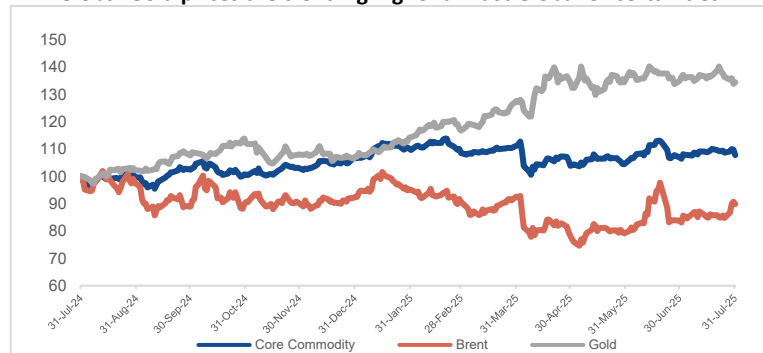
Source: Bloomberg (03 Aug 25)

Current vs Historical Yields



Source: Bloomberg, LGT (31 July, 25)

Global Gold prices are trending higher amidst Global Uncertainties



Source: Bloomberg (as of 05 Aug, 2025)

INDIA MACRO: India-US Tariff Impact: Growth, Trade and Policy Outlook

The imposition of a 25% tariff by the US on Indian exports effective Aug 1, 2025, raises India's effective export-weighted tariff rate (ETR) to 26%, up from 2.4% in CY24. This could result in a 20-30 basis point drag on FY26 GDP growth (estimated at 6.5%) if no trade resolution is reached. However, a deal by Q3FY26 remains the base case, potentially reducing the tariff burden by at least 500 bps. Export sectors such as pharma, auto components, industrial machinery, and gems & jewellery might face direct pressure. INR depreciation could support IT services exports by boosting competitiveness. With subdued inflation and rising growth, July CPI numbers will be important, and growth should be reflected in the upcoming quarters thanks to RBI's accommodative monetary policy and increased public capex. These measures and domestic demand are likely to offset global trade headwinds. The US is expected to maintain a softer stance on China due to strategic dependencies, while trade proxies like India could face tariff actions. The USD 49.5bn trade deficit with India accounts for about 4% of the total US trade deficit, which is a key driver of tariff actions. It remains uncertain how the tariff situation will develop concerning Russian oil imports and whether they will be included in the 25% tariff. A key threat comes from pharma, which accounts for 14% of US imports from India and contributes roughly 0.3% to India's Nominal GDP.

INDIA EQUITIES: BUYING THE DIPS

Corporate India delivered a robust 10% year-on-year earnings growth, indicating that the underlying economy remains resilient despite external uncertainties. This supports a cautiously optimistic outlook, with valuations appearing reasonable and the next phase of growth likely to be driven by corporate and consumer responses to recent policy measures. Liquidity support from the RBI and expectations of festive season-driven consumption could further bolster near-term earnings. However, the uncertainty surrounding U.S. tariffs continues to weigh on sentiment, particularly in the IT sector, where companies are expected to remain cautious, warranting a neutral to underweight stance. Should tariff actions intensify, GDP growth could face additional pressure, reinforcing the case for a balanced all-cap strategy. While the earnings outlook may moderate to 6–8% growth, India's well-diversified capex, consumption, and investment landscape helps limit downside risks. Against this backdrop, we maintain an overweight position in equities relative to bonds, supported by a constructive macro environment. In a volatile market, gradual deployment aligned with long-term asset allocation goals is prudent, with a neutral stance on large and mid-cap equities—large caps offering defensive stability and mid-caps presenting compelling growth opportunities.

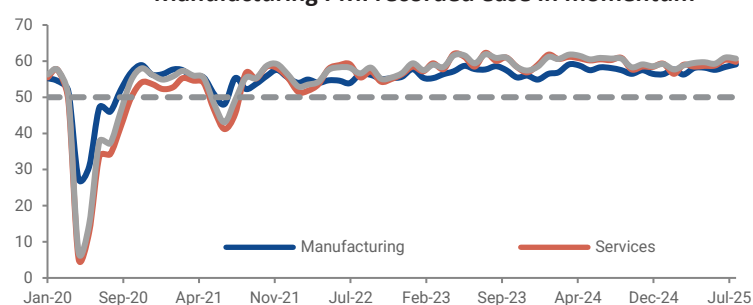
INDIA FIXED INCOME: 2025 – REMAINING YEAR DURATION WITH DISCIPLINE

As of August 2025, Indian bond yields have mainly remained range-bound, with modest softening at the short end and a slight upward drift at the long end, preserving the steepness of the yield curve. Ample banking system liquidity and easing inflation have supported stability in shorter duration bonds, while longer maturities have seen incremental pressure as the market absorbs supply and global cues. The benchmark 10-year government security (G Sec) yield moved by roughly 5 bps during July, and the spread between 10-year and 1-year G Secs widened significantly to around 74 bps, compared with just 14 bps at the close of FY25, indicating a clear steepening of the curve. Credit spreads have also expanded, with the semi-annualised gap between 10-year G Secs and 10-year AAA corporate bonds rising to 72 bps from 56 bps earlier in the fiscal year, reflecting selective investor risk appetite and divergent demand for sovereign versus high-grade corporate bonds. Looking ahead, monetary policy is expected to remain data-dependent, but given the current positive real rate environment, we anticipate one more rate cut toward the end of 2025. Consequently, we expect the 10-year G Sec yield to remain in a near-term range of 6.15%–6.35%, with the potential to ease toward 5.90% over the medium term if liquidity stays supportive and inflation remains benign. In this backdrop, we continue to hold an overweight stance on the medium to long end of the curve, which offers attractive carry and duration benefits, and we maintain a constructive view on high-quality corporate bonds over G Secs, given the widening spread environment and improving risk-reward dynamics.

CURRENCY: RANGEBOUND, NOT DIRECTIONLESS

The U.S. dollar has regained momentum, posting a 3.2% gain in July—its strongest monthly performance since April 2022—driven by resilient economic data and elevated bond yields. In contrast, the Indian rupee has come under renewed pressure following the imposition of a 25% tariff on Indian exports by the U.S., leading to a 1.2% depreciation in the USD/INR pair in early August, touching ₹87.54. This movement reflects rising trade tensions and capital outflows. The Reserve Bank of India is expected to play a pivotal role in managing currency volatility amid these developments. While the dollar remains firm, structural challenges such as the persistent U.S. trade deficit (4.2% of GDP) could eventually weigh on its strength. Strategically, India is leveraging domestic-focused sectors and production-linked incentives to mitigate export-related headwinds. In this environment, investors are advised to hedge currency exposure and rotate into equities driven by domestic demand. Given current macro conditions, we expect the USD/INR to remain within a narrow trading band and maintain a neutral stance on the currency pair.

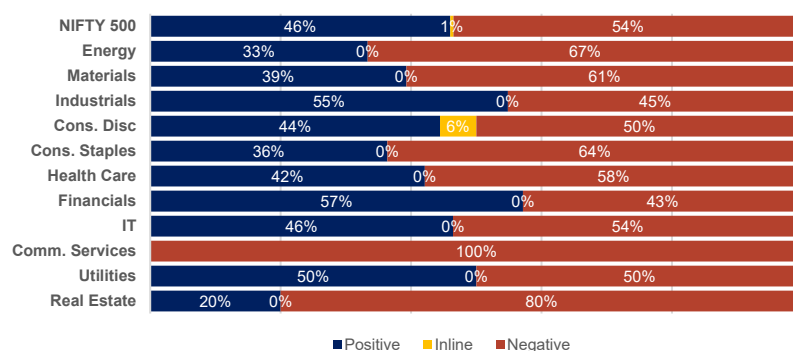
Manufacturing PMI recorded ease in momentum



Source: Bloomberg (as of 04 Aug, 2025)

Corporate India's Earnings Q1-FY26

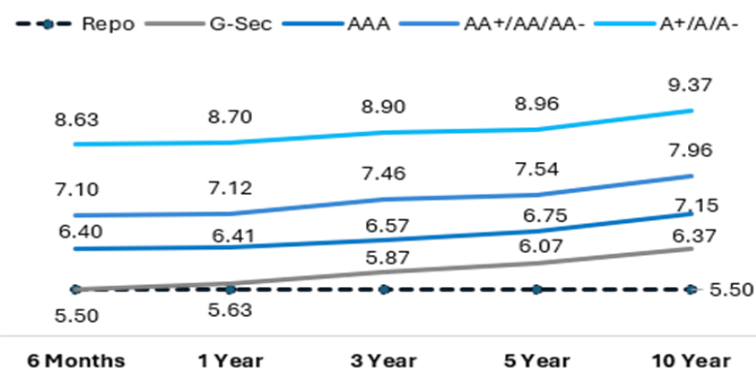
Q1FY26 Earnings Surprise



Source: Bloomberg (04 Aug, 2025)

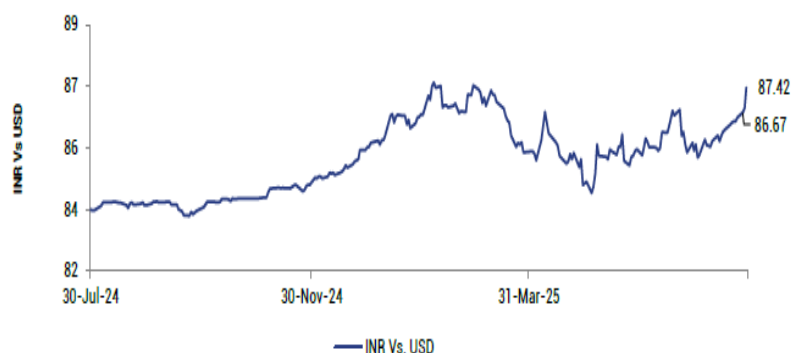
Debt Market Snapshot

Yield Levels as of July 31, 2025



Source: Bloomberg

INR vs USD



Source: Refinitiv, 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	Positive	Corp Bonds	30-Jun-25	31-July-25	Open	2.52%
Short Term Vs Long Term	Negative	Long Term	30-Jun-23	31-July-25	Open	-1.16%
Large Cap Vs Mid Cap	Positive	Large Cap	30-Sep-23	30-June-25	Close	-13.85%
Equities Vs Bonds	Positive	Equities	30-Nov-24	31-July-25	Open	-2.27%

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 (%)	58.5%	43.9%	57.9%	51.4%	55.3%	56.7%
Avg. positive alpha	4.1%	2.4%	0.6%	0.6%	1.0%	3.8%
Avg. negative alpha	-2.5%	-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 31st July 2025.

GLOBAL ASSET PERFORMANCE SNAPSHOT

	Asset	Current	1m	3m	6m	1y		Current	1m	3m	6m	1y	
		Equities						Commodities					
Global	S&P 500 INDEX	6,339	2.2%	13.8%	4.9%	14.8%		TR Commodity CRB Index	299.8	0.8%	3.8%	-1.7%	7.8%
	EURO STOXX 50 Price EUR	5,320	0.3%	3.1%	0.6%	9.2%		Indian Crude Oil Basket	72.4	5.2%	15.5%	-8.7%	-9.5%
	FTSE 100 Index	9,133	4.2%	7.5%	5.3%	9.1%		Brent	72.5	7.3%	14.9%	-5.5%	-10.1%
	Nikkei 225	41,070	1.4%	13.9%	3.8%	5.0%		Gold	3,289.9	-0.4%	0.0%	17.6%	34.4%
India	NSE Nifty 50 Index	24,768	-2.9%	1.8%	5.4%	-0.7%		Aluminium	2,563.9	-1.3%	7.4%	-1.5%	14.4%
	NIFTY Midcap 100	57,401	-3.9%	6.1%	6.9%	-2.7%		Copper	435.5	-13.4%	-4.5%	1.8%	4.3%
	NIFTY Smallcap 100	17,967	-5.8%	9.2%	6.2%	-6.1%		Corn	394.0	-6.3%	-15.7%	-18.3%	2.9%
	NSE Nifty 500 Index	22,915	-3.0%	4.0%	6.2%	-2.6%		Soyabean	989.3	-3.7%	-2.8%	-5.9%	-7.1%
Global		Fixed Income						Currencies					
	US Generic Govt 10 Yr	4.37%	4.23%	4.16%	4.54%	4.03%		Dollar Index	99.97	3.2%	0.5%	-7.8%	-4.0%
	German Bunds	2.69%	2.61%	2.44%	2.46%	2.30%		EUR/USD	1.14	-3.2%	0.8%	10.2%	5.4%
	JGB 10Yr Comp Yield	1.56%	1.46%	1.33%	1.25%	1.07%		USD/JPY	150.75	4.7%	5.4%	-2.9%	0.5%
	UK Gilts 10 Yr	4.57%	4.49%	4.44%	4.54%	3.97%		GBP/USD	1.32	-3.8%	-0.9%	6.6%	2.7%
	China 10Y	1.71%	1.65%	1.63%	1.63%	2.15%		USD/CHF	0.81	2.4%	-1.6%	-10.8%	-7.5%
India	India 10Y	6.37%	6.32%	6.36%	6.70%	6.93%		USD/CNY	7.20	0.5%	-1.0%	-0.6%	-0.4%
	FBIL FBTB12M	5.56%	5.52%	5.90%	6.57%	6.79%		USD/HKD	7.85	0.0%	1.2%	0.7%	0.5%
	India 10Y AAA	7.19%	7.11%	7.08%	7.17%	7.48%		USD/INR	87.60	2.2%	3.7%	1.1%	4.6%
	India 1Y AAA	6.42%	6.70%	6.89%	7.71%	7.65%		USD/CAD	1.39	1.8%	0.4%	-4.7%	0.3%

Source: Bloomberg Equity/Fixed Income Returns/Yields in local currencies. Commodities in USD. Numbers for Fixed Income are Yields as of July 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, YTD: Year to date

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