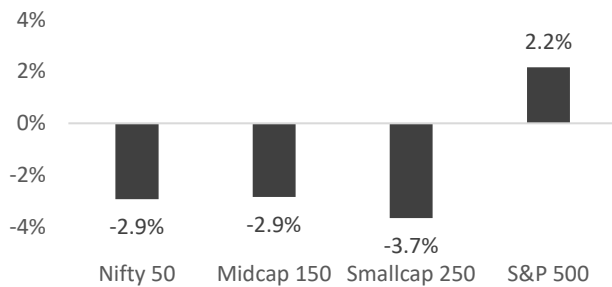


Earnings Miss, Uncle Sam Hits

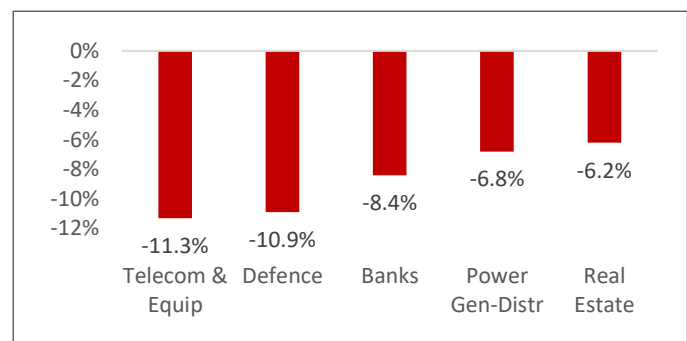
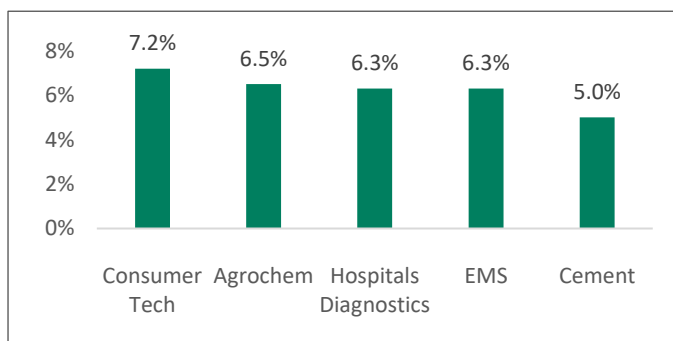
July'25

Indian equities navigated a challenging July, with frontline indices down 3% and more. This was driven by lukewarm earnings in BFSI and IT as well as correction after a sharp run recently in sectors such as defence and real estate. Global factors were unhelpful too. The uncertainty around US tariffs ended with Trump announcing his 25% tariff on India. Market hopes are now linked to (i) an uptrend in consumption driven by good monsoons and tax cuts, (ii) continued capex by government, and (iii) increase in private capex given deleveraged corporate balance sheets and reduction in interest rates.



- Negative month for Indian indices after four straight green months
- Nifty 50 has given no return in the last 12 months (approx. -1% return)
- Nifty 50's valuation is ~23x on trailing P/E, which is slightly above its 10-year median
- Considering global headwinds, domestic consumption and investment will be key drivers for the economy and the markets

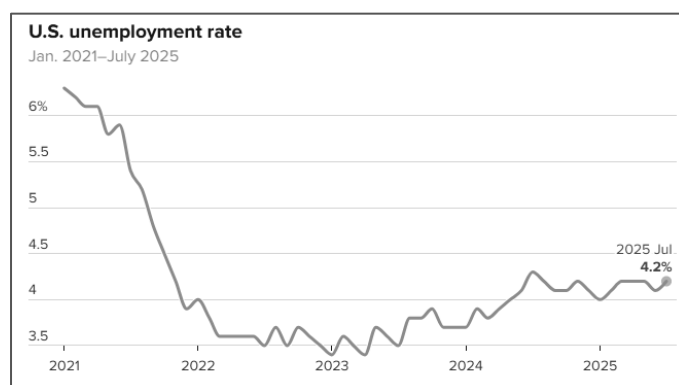
Sectoral trends this month: Leaders and Laggards



Charts depict the monthly average return for a stock in respective sectors

- IT sector is facing major challenges; most companies are struggling to grow
- Concerns around lowering asset quality in vehicle, personal and SME loans impacting banks-NBFCs
- Defence stocks ran up earlier on order book estimates, but recent results have been underwhelming
- Some green shoots in consumption, particularly linked to the Agri-rural theme
- Earnings for capital goods, auto ancillaries, agrochemicals, pharmaceuticals and healthcare have been in line or better than estimates

Chart of the month



- Job growth in US in July (73,000) was lower than expectations
- Employment rate rose to 4.2%
- US bond yields fell, the 10-year by 4% and the 2-year by 7%; equity indices fell by 1-2%
- The odds of a rate cut in the next fed meeting have gone up considerably
- What does it mean for EMs? Volatility in short term, but could eventually lead to stabilization of fund flows