

Global Navigator

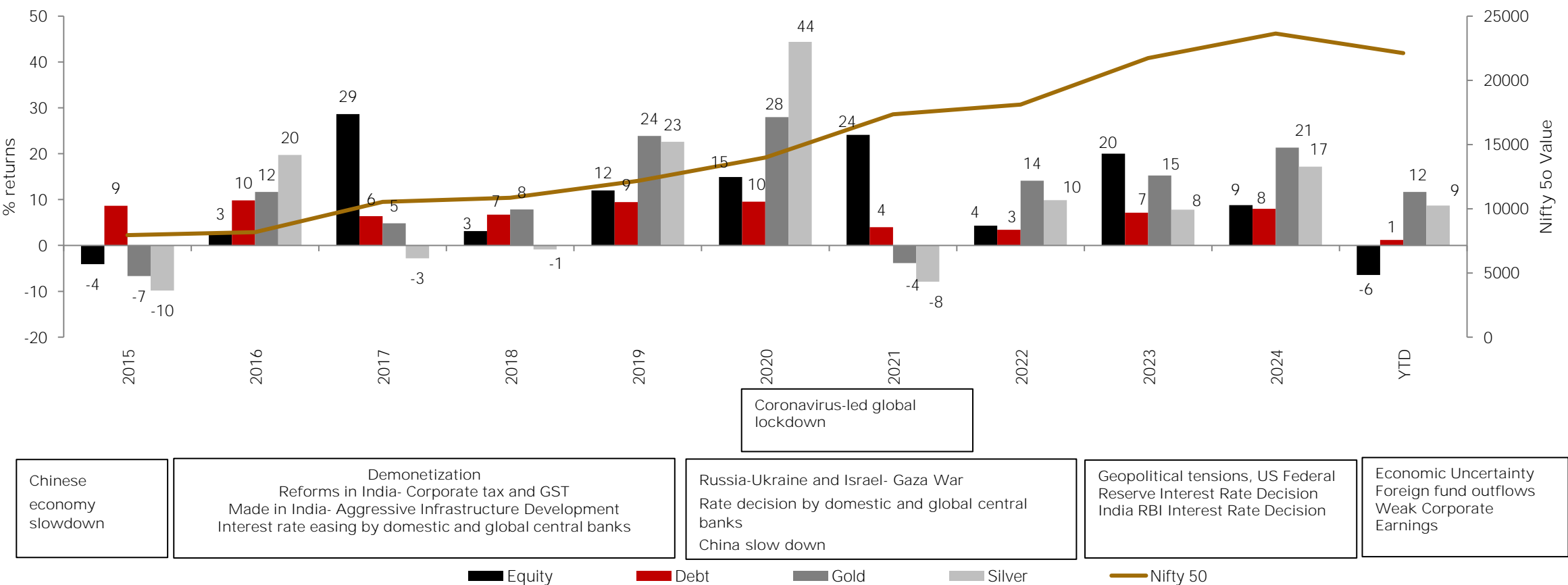
March 2025



HSBC Mutual Fund

History of asset classes through major events

Calendar year performance of asset classes



Equity- Nifty 50, Debt- CRISIL short duration debt index

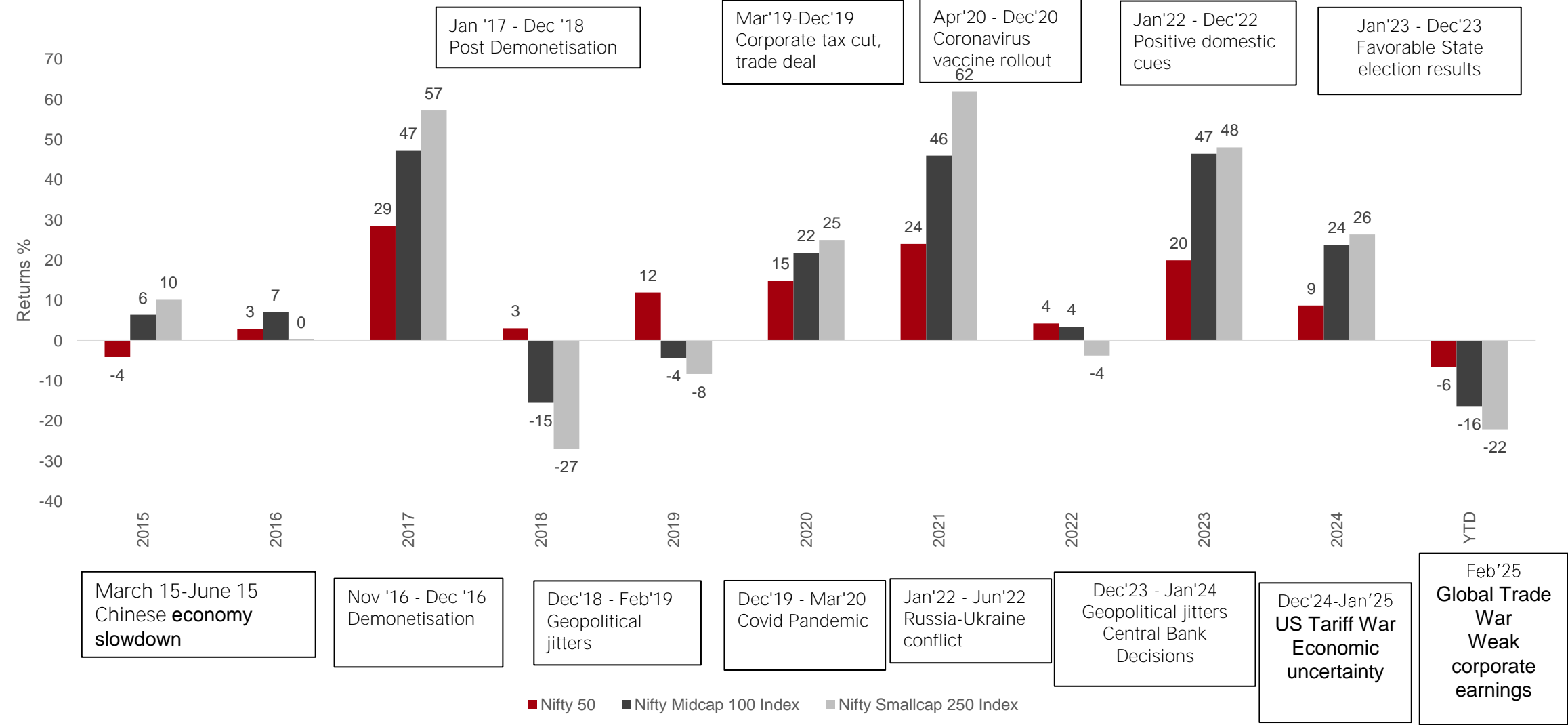
Gold and silver returns are based on spot rates from India Bullion and Jewellers Association (IBJA) and MCX

Source: NSE, CRISIL, Data as on 28 February 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns.

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History of Equity markets through major events

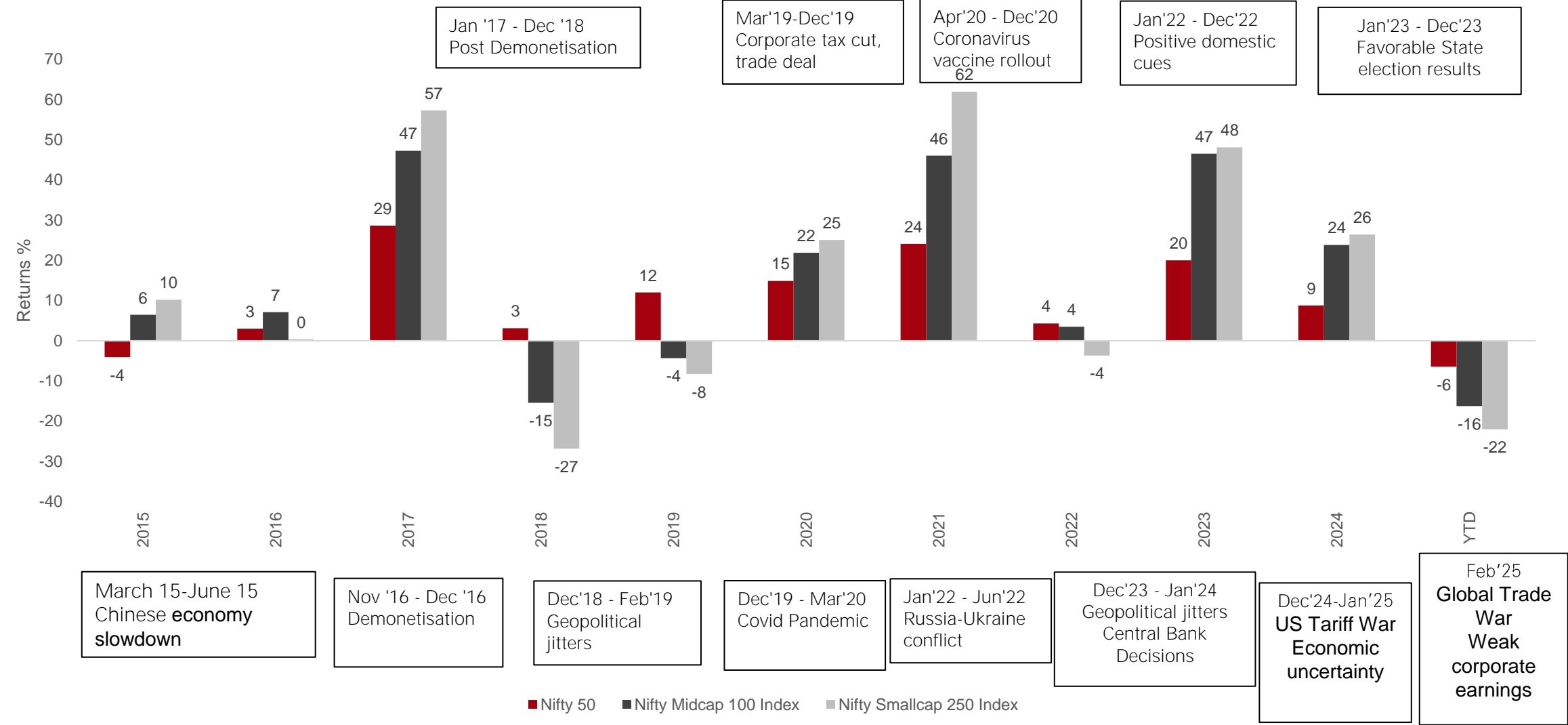
Performance of major equity indices



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History of Equity markets through major events

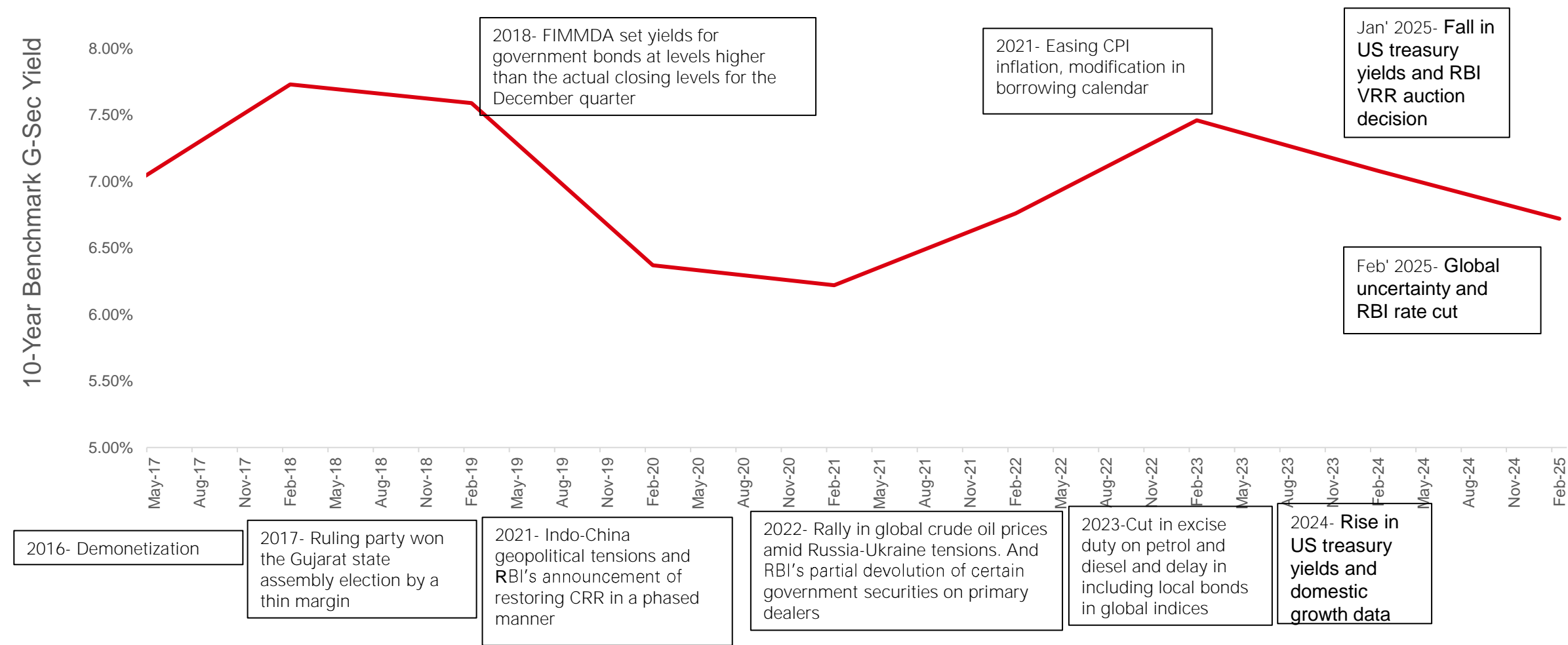
Performance of major equity indices



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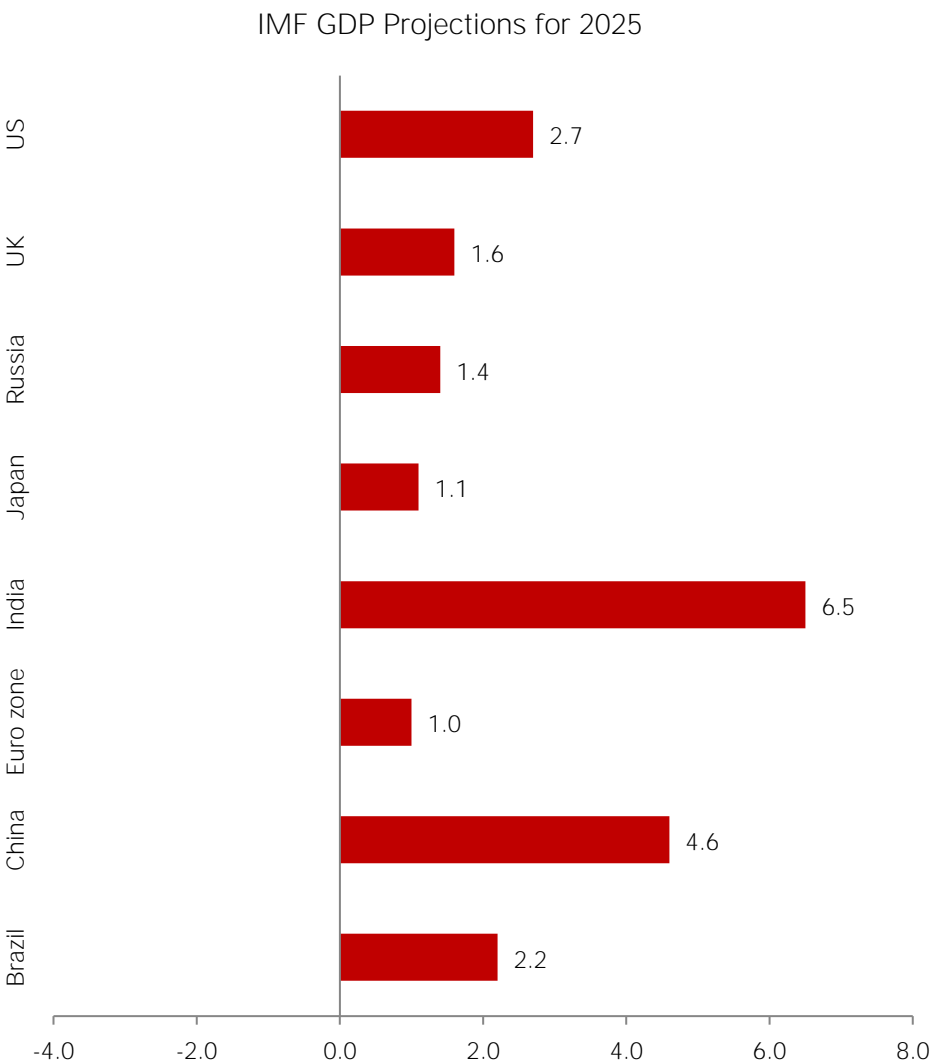
History of Debt Markets through major events

10-year G-Sec yield movement through major events



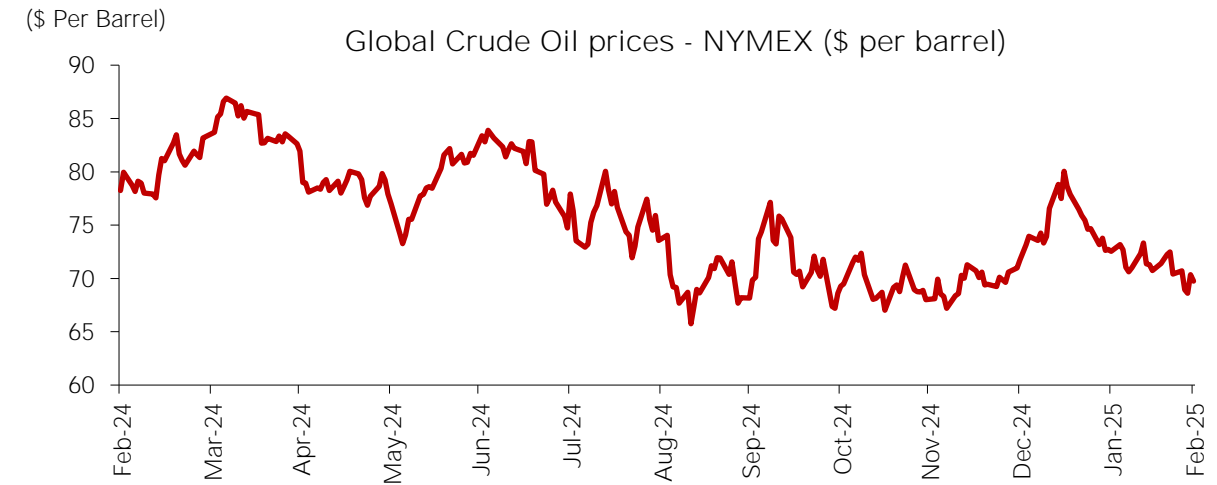
| | GDP | | Inflation | | Industrial Growth | |
|----------|-----------------|-----------------|-----------------|-----------------|-------------------|------------------|
| | Current | Previous | Current | Previous | Current | Previous |
| US | 2.3% Q4 2024 | 3.1% Q3 2024 | 3.0% Jan'25 | 2.9% Dec'24 | 2.0% Jan'25 | 0.3% Dec'24 |
| Eurozone | 0.9% Q4 2024 | 0.9% Q3 2024 | 2.5% Jan'25 | 2.4% Dec'24 | -2.0% Dec'24 | -1.8% Nov'24 |
| UK | 1.4% Q4 2024 | 1.0% Q3 2024 | 3.0% Jan'25 | 2.5% Dec'24 | -1.9% Dec'24 | --2.0% Nov'24 |
| China | 5.4% Q4 2024 | 4.6% Q3 2024 | 0.5% Jan'25 | 0.1% Dec'24 | 6.2% Dec'24 | 5.4% Nov'24 |
| Japan | 2.8% Q4 2024 | 1.7% Q3 2024 | 4.0% Jan'25 | 3.6% Dec'24 | -1.60% Dec'24 | -2.70% Nov'24 |
| India | 6.2% Q3 FY25 | 5.4% Q2 FY25 | 4.31% Jan'25 | 5.22% Dec'24 | 3.2% Dec'24 | 5.2% Nov'24 |

| Major Global Central Bank | Latest Key Interest rate |
|---------------------------|--------------------------|
| US Federal Reserve | 4.25-4.55% |
| Bank of England | 4.50% |
| European Central Bank | 2.90% |
| Bank of Japan | 0.50% |
| India | 6.25% |



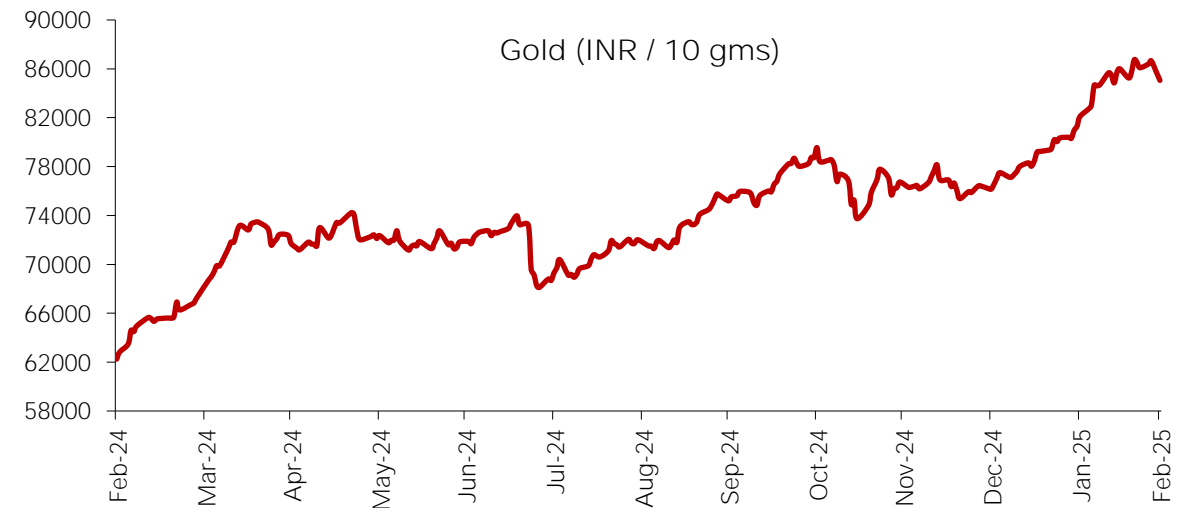
International crude oil fell in February

- Crude oil prices on the New York Mercantile Exchange closed at \$69.76 per barrel on February 28, down 3.82% from \$72.53 per barrel on January 31.
- Persistent demand worries, triggered by weak economic data from the US, China and Eurozone kept oil prices under pressure. Prices declined further after US President reiterated plans to boost US production, following a larger-than-expected rise in US crude stockpiles.



Gold rose in February

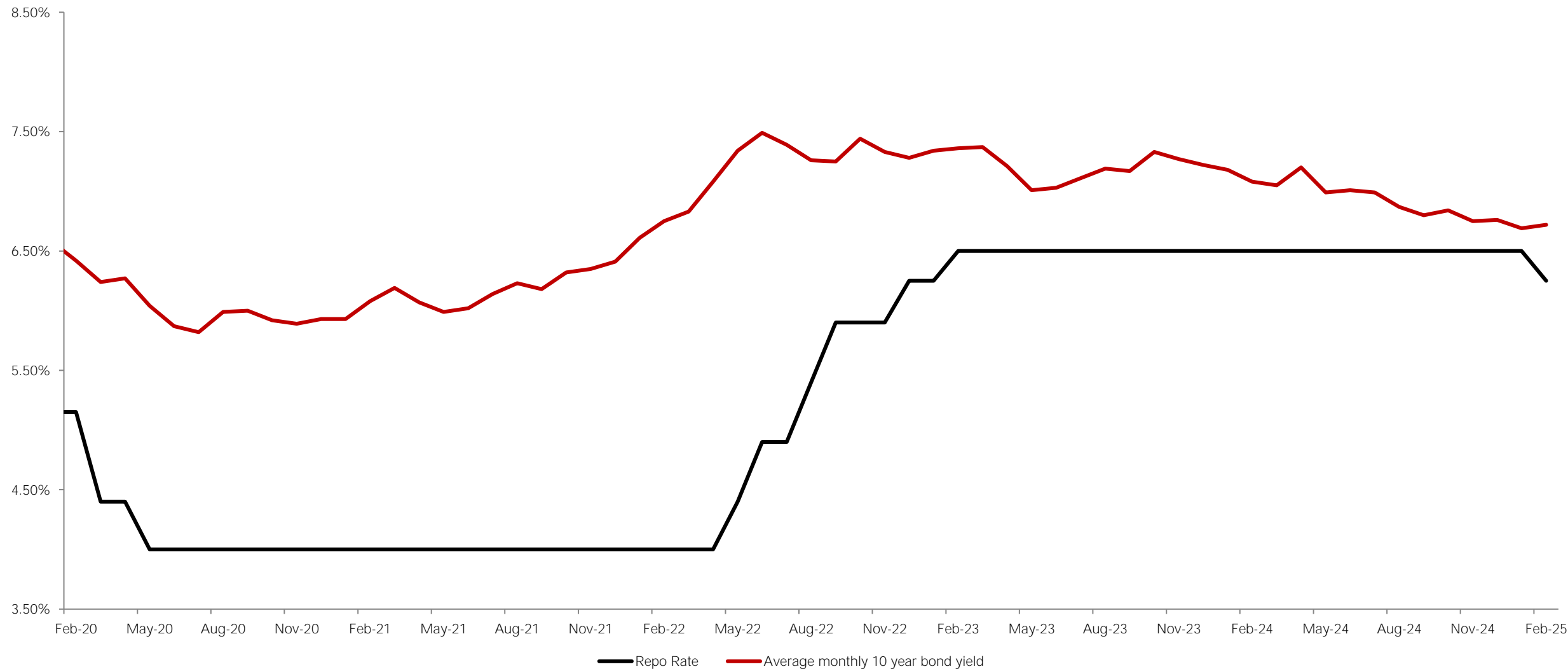
- Gold prices ended at Rs 85,056 per 10 gm on February 28, up 3.62% from Rs 82,086 per 10 gm on January 31, according to the India Bullion and Jewellers Association Ltd.
- The prices remained higher due to rising safe-haven demand following global trade war worries and consumption demand in the domestic market owing to the ongoing wedding season.



Source – CRISIL, NYMEX. Data as on 28 February 2025

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RBI Repo Rate changed at 6.25%



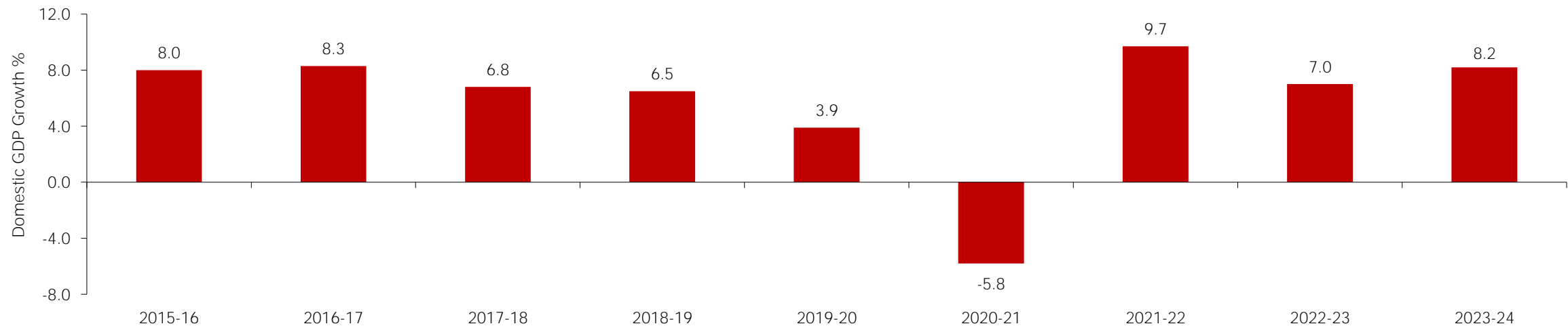
Source: RBI, CRISIL Research, Data as on 28 February 2025
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Indian Economic Environment

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India's GDP growth improves to 6.2% in Q3FY25; full-year growth seen at 6.5%

- According to data shared by the National Statistical Office (NSO), Ministry of Statistics and Programme Implementation (MoSPI), India's real gross domestic product (GDP) grew 6.2% on-year in the third quarter of fiscal 2025. While this was considerably slower than 9.5% growth during the corresponding quarter a year ago, it improved from the seven-quarter low of 5.4% growth registered in the second quarter, driven by strong rural demand, favourable monsoon conditions and increased government spending.
- The second advance estimates released by the NSO on February 28 peg India's GDP growth for fiscal 2025 at 6.5%, up from the earlier estimate of 6.4%. The projection is based on expectations of a resilient economic trajectory, strong industrial performance, a recovering services sector and rising consumer demand.
- Crisil expects India's GDP to grow 6.5% each during fiscals 2025 and 2026.



Source – CRISIL, Mospi, Data as on 28 February 2025

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India's retail inflation cools to five-month low of 4.31% in January

- India's Consumer Price Index (CPI)-based inflation eased to a five-month low of 4.31% in January, driven by cooling vegetable prices and a healthy kharif crop output.

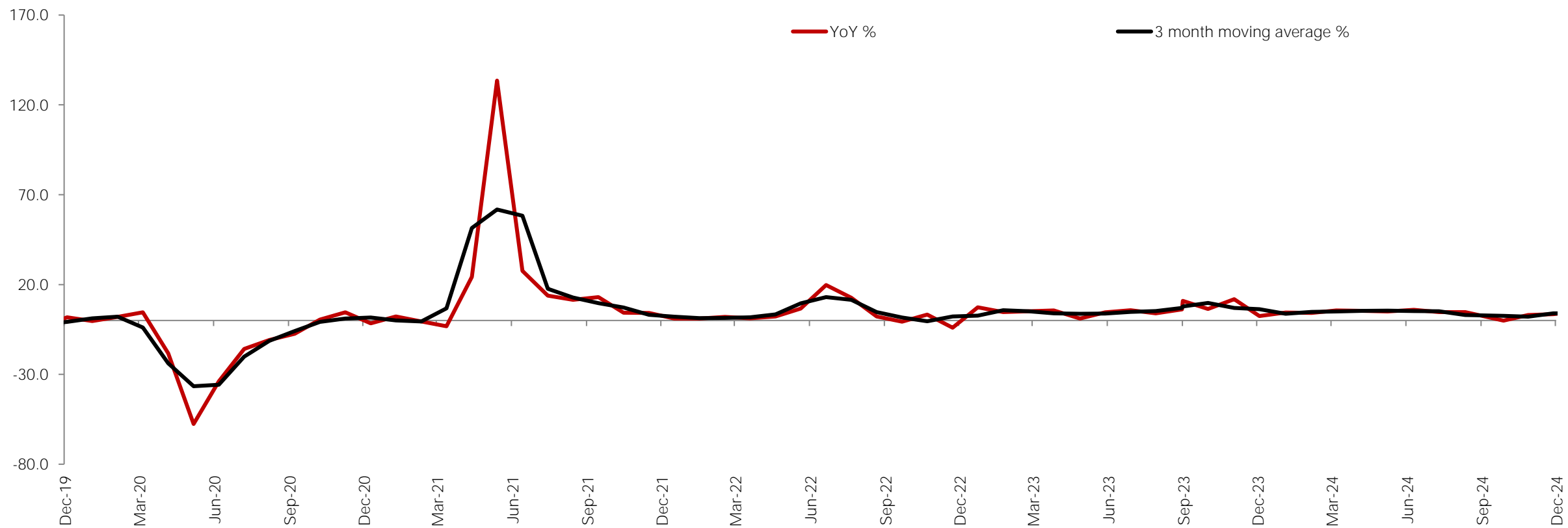
| Indicators | Current | Previous |
|-----------------------|-------------------------------|-------------------------------|
| Monthly CPI Inflation | 4.31% (Jan-25) | 5.22% (Dec-24) |
| Industrial Growth | 3.2% (Dec-24) | 5.2% (Nov-24) |
| Exports | \$358.91 bn (Apr-Jan 25) | \$353.97 bn (Apr-Jan 24) |
| Imports | \$601.90 bn (Apr-Jan 25) | \$560.27 bn (Apr-Jan 24) |
| Trade Balance | \$-87.47 bn (Apr-Jan 25) | \$-70.06 bn (Apr-Jan 24) |
| Gross Tax Collections | INR 2984356 cr (Apr-Jan FY25) | INR 2706197 cr (Apr-Jan FY25) |

Source – Ministry of Commerce, Comptroller General of Accounts, CRISIL, Data as on 28 February 2025
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Index of Industrial Production - IIP

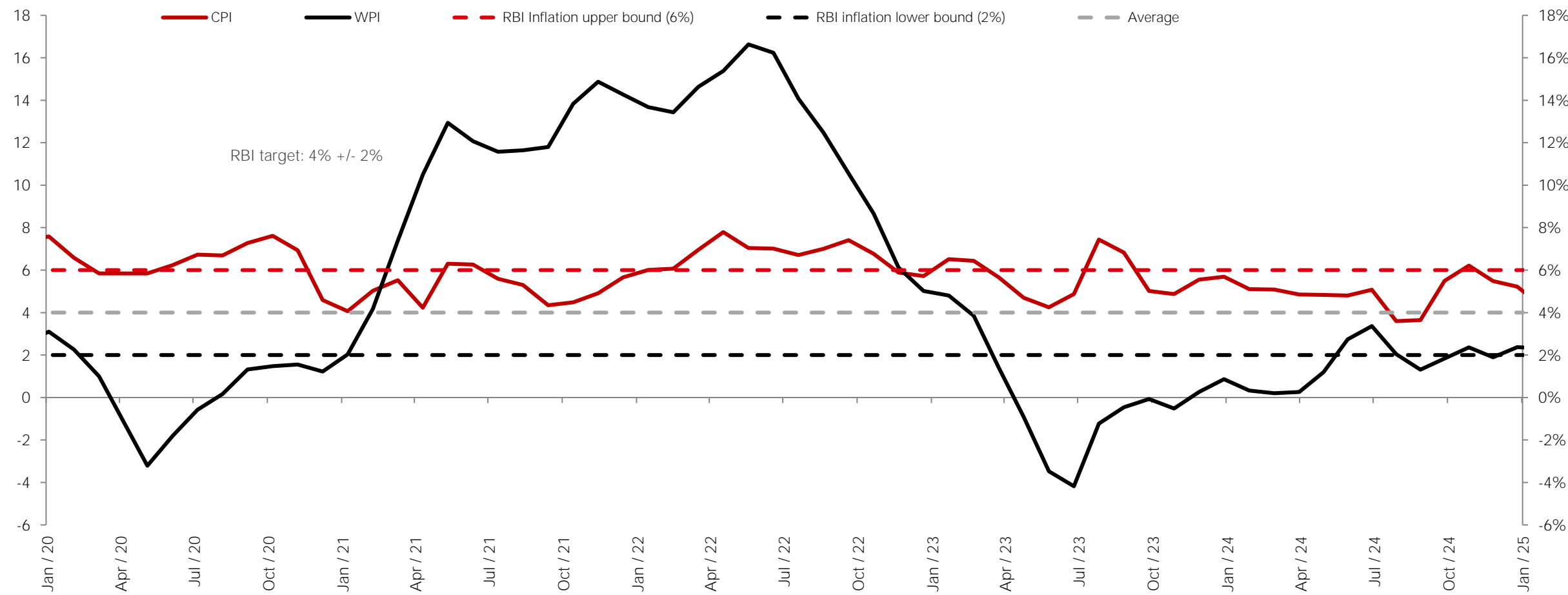
- India’s industrial production growth, measured by the Index of Industrial Production, slowed down to a three-month low of 3.2% in December 2024. This was slower than 5% growth recorded in the preceding month and 4.4% growth witnessed in the corresponding month a year ago.



Source: CRISIL, MOSPI, Data as on 28 February 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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Inflation target and trend

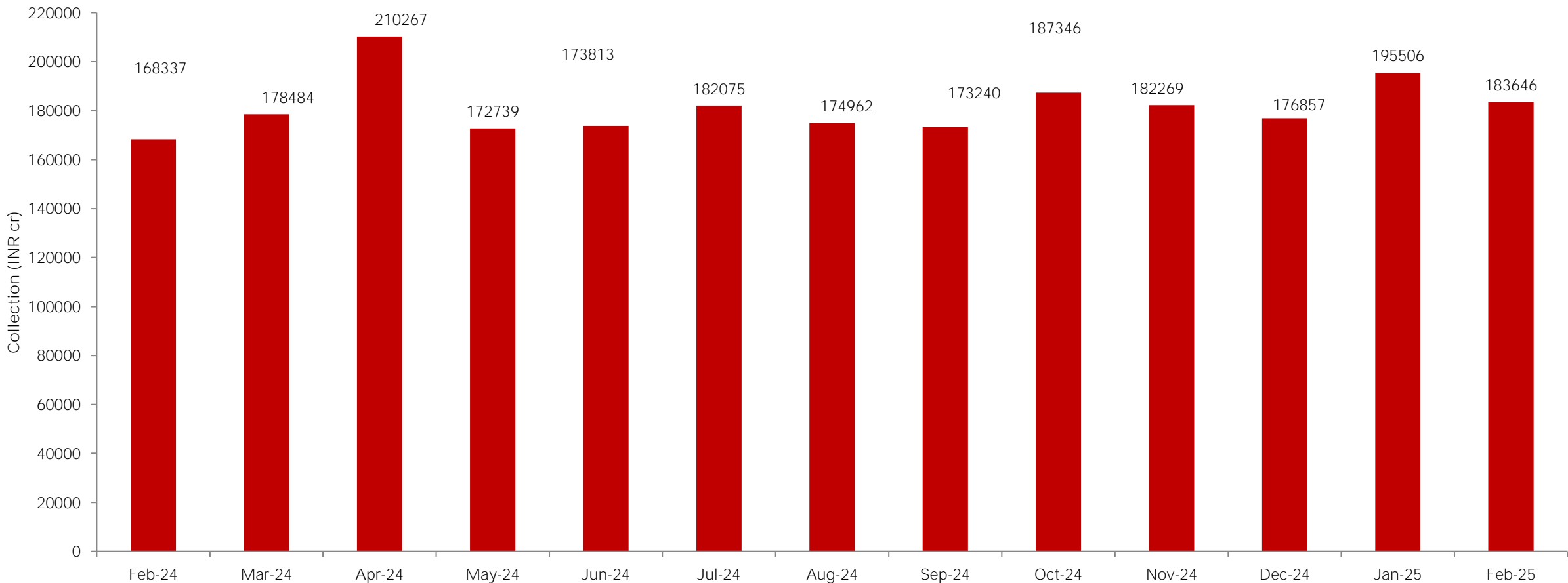
CPI inflation below the RBI's max target range



Source: CRISIL, MOSPI, RBI, Data as on 28 February 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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GST collection INR 1.83 lakh crore in February

As per reports, the government collected INR 1.83 lakh crore goods and services tax (GST) for the month of February



Source- CRISIL, [gst.gov.in](https://www.gst.gov.in), Data as on 28 February 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns. GST – Goods and Services Tax
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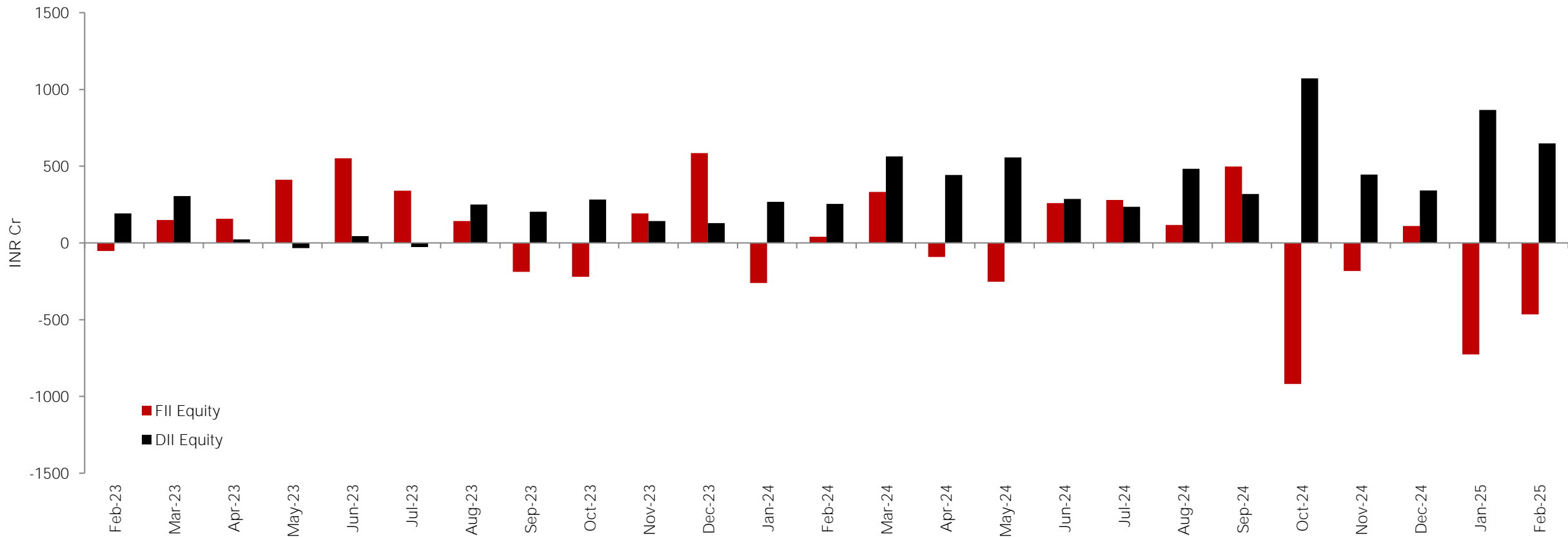
Indian equity indices declined in February'25

- Fears of imminent global trade disruptions and economic instability, triggered by intermittent threats of tariffs by President, clouded investor sentiment through February. The resulting heavy selloff across sectors, coupled with weak quarterly earnings, exacerbated the effect of foreign fund outflows that had persisted over the past few months. While the BSE Sensex shed 5.6% in value from January-end level to close at 73,198 points on February 28, the Nifty 50 lost 5.9% to close at 22,125 points.
- In the initial week of February, the US decision to suspend tariffs on Canada and Mexico led to momentary easing of fears of a global trade war. However, as the month progressed, the proposed reciprocal tariffs, which heavily weighed on investor sentiment. The lingering trade tariff concerns had a deep impact across sectors, especially during the latter half of the month.
- The new US administration's proposal of a 25% tariff on pharmaceutical imports led to some losses in pharma stocks, in particular, and the bourses, in general.
- The US Fed's latest minutes that pointed to the possibility of a delay in interest rate cuts also added to the worries.
- As the month draws to a close, extremely weak US market trend also impacted the domestic stock markets, leading to a sharp slide on February 24, 2025.
- The domestic markets had seen some losses the earlier in the month, after the Reserve Bank of India (RBI) cut interest rates for the first time in five years to boost economic growth.
- Weak corporate quarterly earnings quickened the foreign outflows, which, along with global trade worries, dampened investor sentiments. Foreign institutional investors (FIIs) turned net sellers in the Indian stock markets. They sold equities worth Rs 345.7 billion in February (till 28th February 2025), compared to selling of 780.3 billion in January (till 31st January 2025).
- However, the domestic market was supported by continued domestic institutional investor (DII) buying. They bought Rs 648.5 billion worth of equities during the month (till 28th February 2025), compared with Rs 793.2 billion in January (till 31st January 2025).

Source –CRISIL, Data as on 28 February 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns. GDP – Gross Domestic Product
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BSE sectoral indices fell in February'25

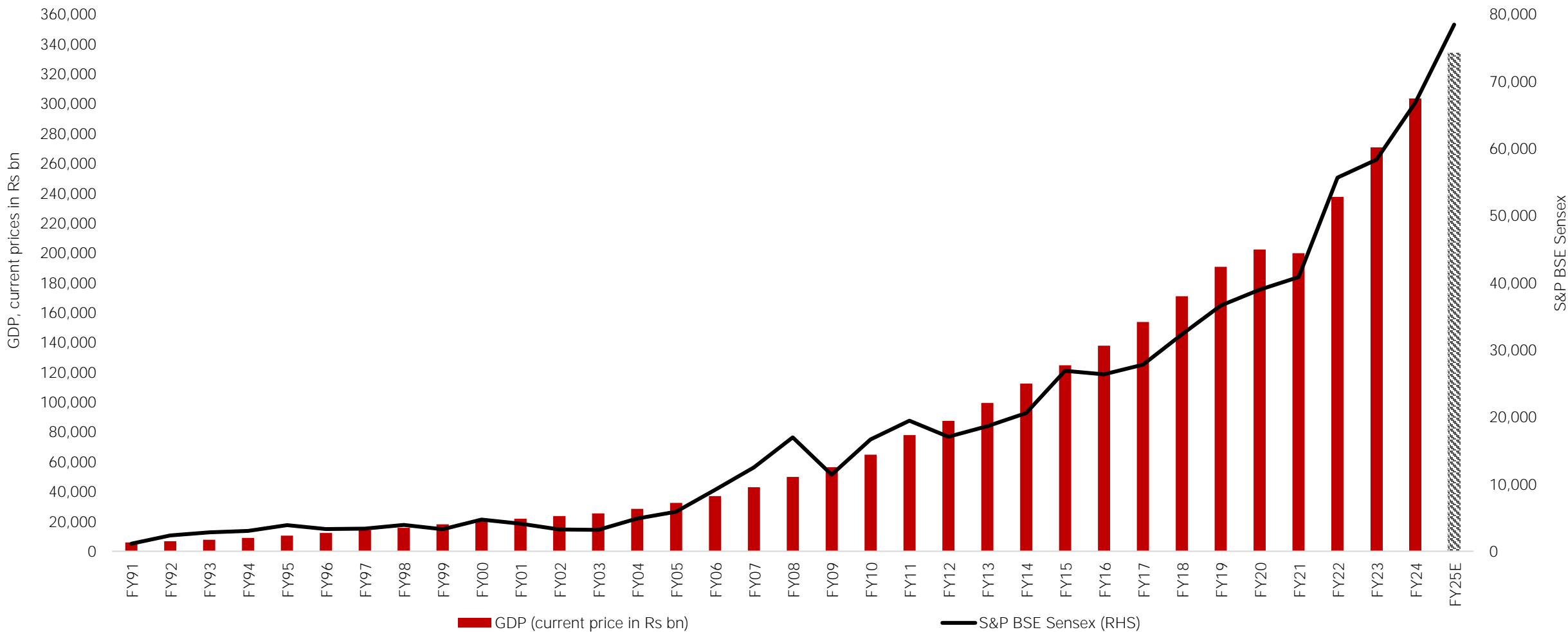
- As was the case in January, all the key sectoral indices fell sharply in February.
- The biggest losers were the BSE Capital Goods and BSE PSU indices, each slipping 14%.



Source: CRISIL, NSDL, NSE, Data as on 28 February 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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Equity mirrors economic growth in the long term

GDP - The Indian economy is expected to carry the momentum of last year’s GDP growth into the current fiscal year as well



Source: CRISIL, Bloomberg, BSE, IMF, The GDP projection for fiscal year 2025 is shown shaded in this graph is for illustration purposes only and is not guaranteed, Data as on 28 February 2025, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice GDP – Gross Domestic Product. Note-The details provided above is as per the information available in public domain at this moment and subject to change. Please consult your financial advisor for any investment decisions.

Sectoral performance long term trends

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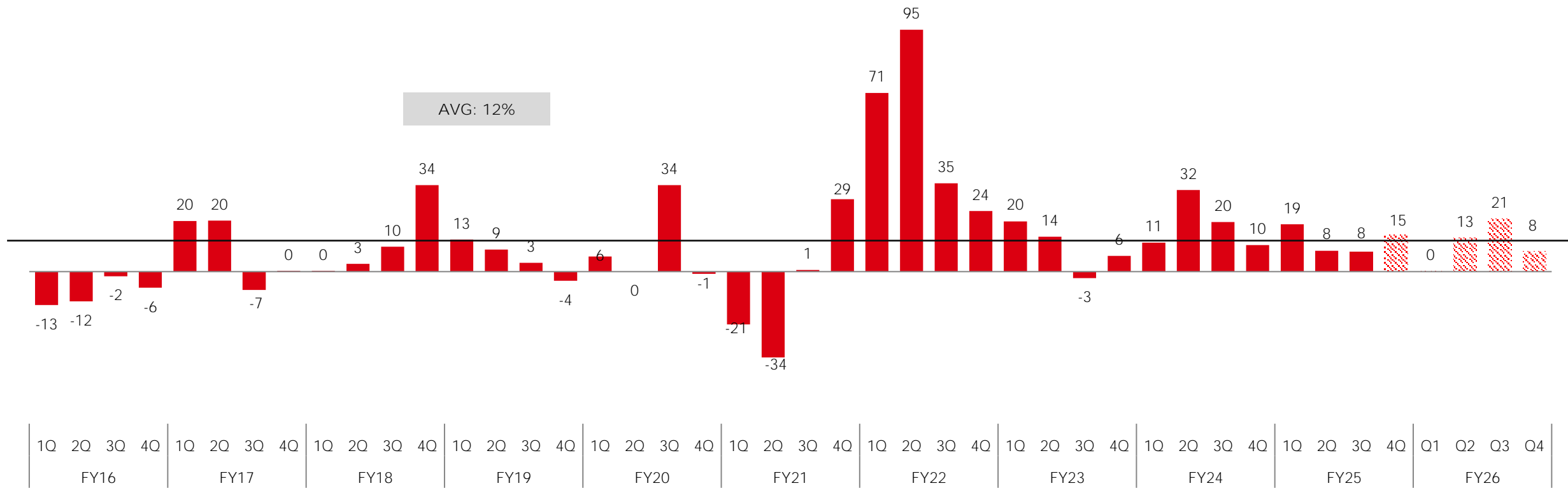
Sectoral returns – Sectoral indices post positive performance over the 10-year period

| Sectoral indices | % Change | | | | | | | | | | |
|--------------------|----------|--------|--------|--------|--------|--------|-------|--------|-------|-------|---------------|
| | CY15 | CY16 | CY17 | CY18 | CY19 | CY20 | CY21 | CY22 | CY23 | CY24* | 10-year CAGR* |
| Nifty 50 TRI | -3.01 | 4.39 | 30.27 | 4.64 | 13.48 | 16.14 | 25.59 | 5.69 | 21.30 | 10.09 | 10.89 |
| BSE SENSEX TRI | -3.68 | 3.47 | 29.56 | 7.23 | 15.66 | 17.16 | 23.23 | 5.80 | 20.33 | 9.49 | 10.95 |
| BSE Auto TRI | 0.08 | 10.38 | 33.31 | -21.33 | -9.94 | 14.27 | 20.59 | 17.83 | 47.71 | 23.40 | 9.84 |
| BSE BANKEX TRI | -9.03 | 8.39 | 39.98 | 5.65 | 21.12 | -2.12 | 12.97 | 21.91 | 12.12 | 7.15 | 9.95 |
| BSE CG TRI | -7.77 | -2.38 | 41.42 | -0.49 | -8.79 | 12.52 | 54.75 | 17.17 | 68.15 | 22.53 | 13.14 |
| BSE CD TRI | 24.79 | -5.83 | 102.87 | -8.32 | 21.53 | 22.19 | 47.73 | -10.93 | 26.40 | 29.31 | 18.23 |
| BSE FMCG TRI | 2.80 | 4.77 | 33.26 | 12.11 | -2.14 | 13.19 | 11.70 | 19.08 | 29.65 | 3.25 | 10.30 |
| BSE Healthcare TRI | 15.62 | -12.43 | 1.10 | -5.38 | -2.80 | 62.61 | 21.54 | -11.50 | 37.97 | 44.30 | 9.88 |
| BSE IT TRI | 6.65 | -6.14 | 13.29 | 27.26 | 11.84 | 60.05 | 58.45 | -22.70 | 28.28 | 22.21 | 14.05 |
| BSE Metal TRI | -28.85 | 43.19 | 52.82 | -16.20 | -10.16 | 18.43 | 72.68 | 15.70 | 35.50 | 10.24 | 15.10 |
| BSE Oil & Gas TRI | -1.22 | 30.38 | 37.81 | -12.40 | 10.59 | -0.55 | 31.72 | 20.45 | 17.30 | 16.50 | 12.73 |
| BSE Power TRI | -5.26 | 2.99 | 22.03 | -14.30 | -0.64 | 11.38 | 73.68 | 28.51 | 36.45 | 21.28 | 12.30 |
| BSE PSU TRI | -14.87 | 16.89 | 22.69 | -18.69 | -1.12 | -12.80 | 47.95 | 28.30 | 61.48 | 24.34 | 10.85 |
| BSE Realty TRI | -12.82 | -5.27 | 107.24 | -30.69 | 27.58 | 9.20 | 55.40 | -9.97 | 80.16 | 33.45 | 13.55 |

Source: CRISIL, BSE, Figures in red indicate negative returns in that period. *10-year CAGR, Data as on 28 February 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns.

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Earnings growth – quarterly trend



Nifty 50 EPS Growth (Y-o-Y)

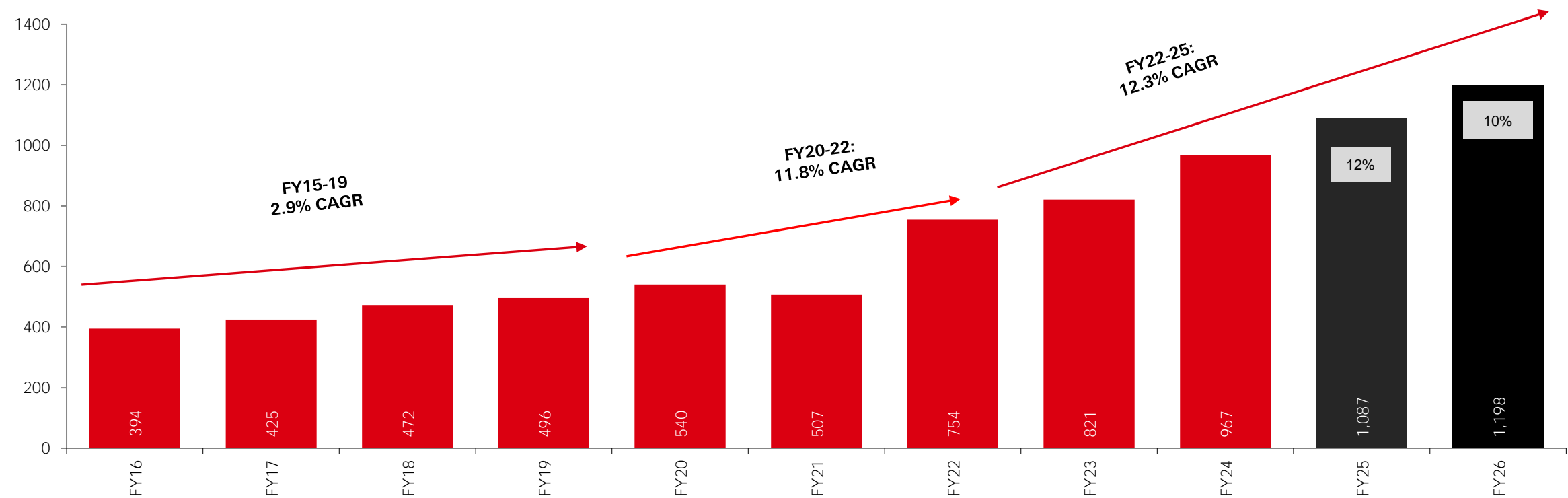
Estimates – shaded portion of FY25 and FY26

Source: CRISIL, Bloomberg, Data as on 28 February 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns.

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Earnings trend

India - Equity earnings (Nifty 50 EPS)

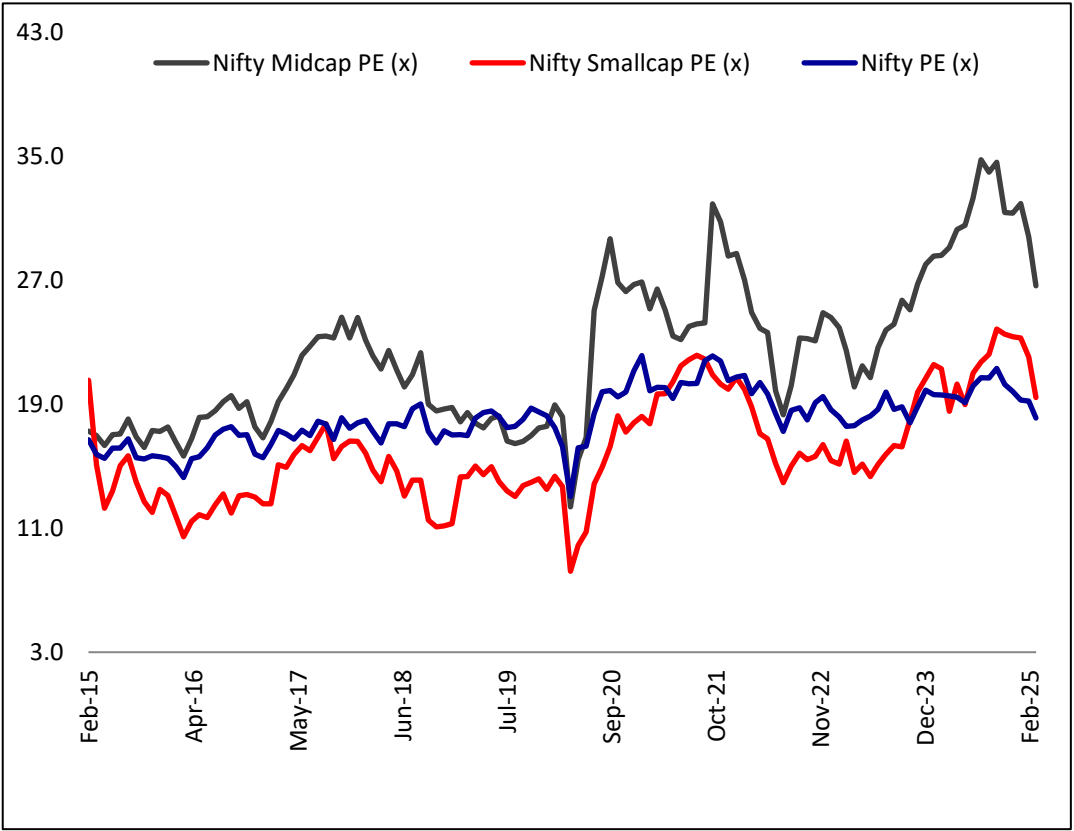


Note: Trailing 12M EPS (Earnings Per Share)
Black shaded columns are estimates of FY25 and FY26
Data for FY 26 is for only three quarters

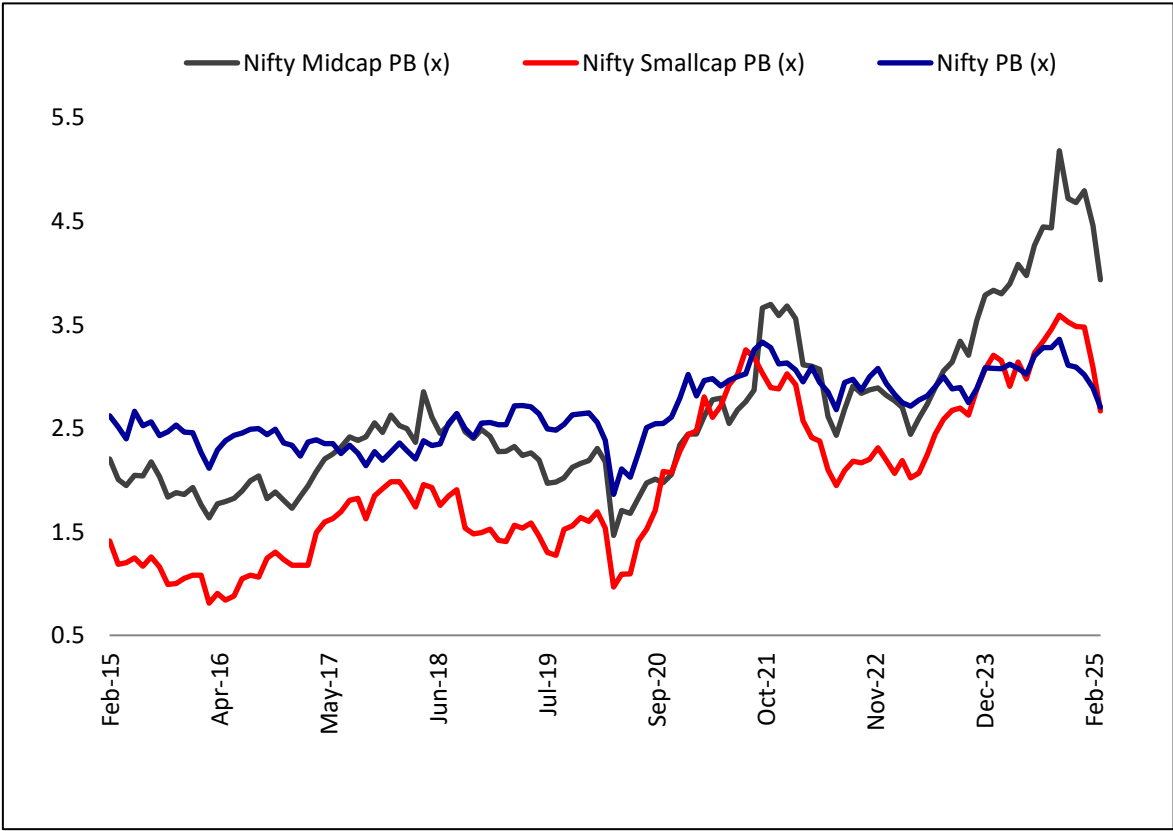
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Market valuations – Nifty 50 and Nifty Midcap 100

Large and Mid Cap - Price to Earnings (PE)



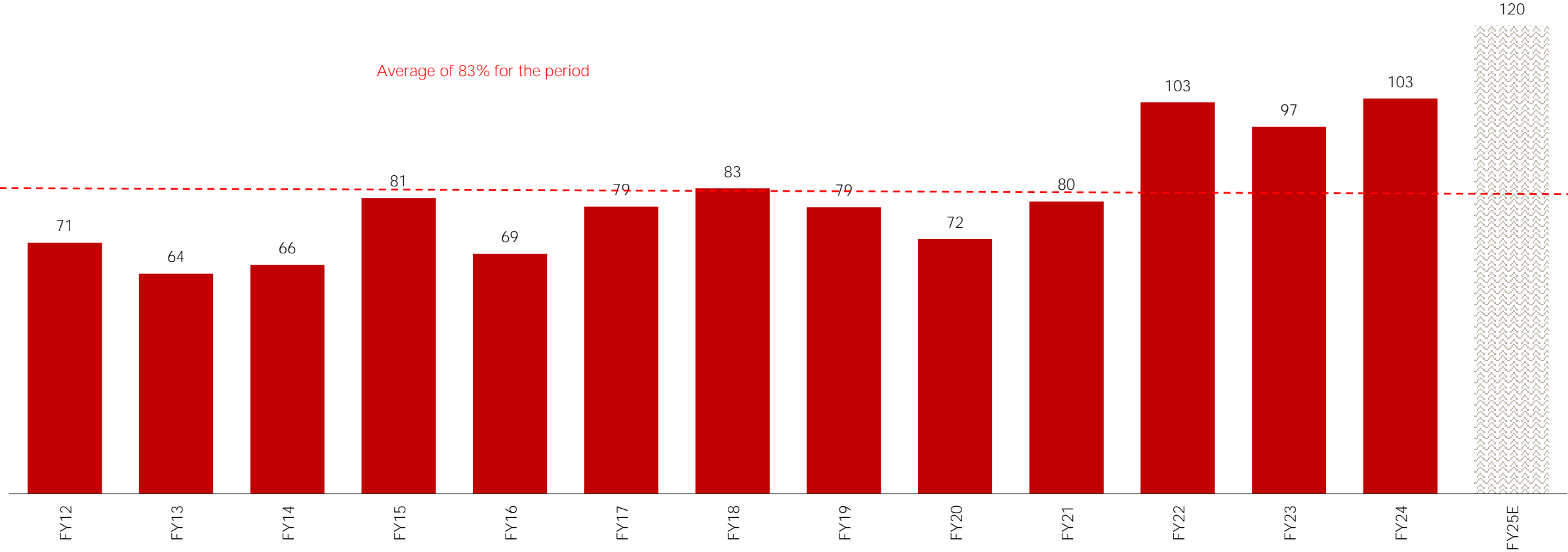
Large and Mid Cap - Price to Book (PB)



Source: MOSL, Data as on 28 February 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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India Market cap to GDP (%)

Market cap as a % of GDP

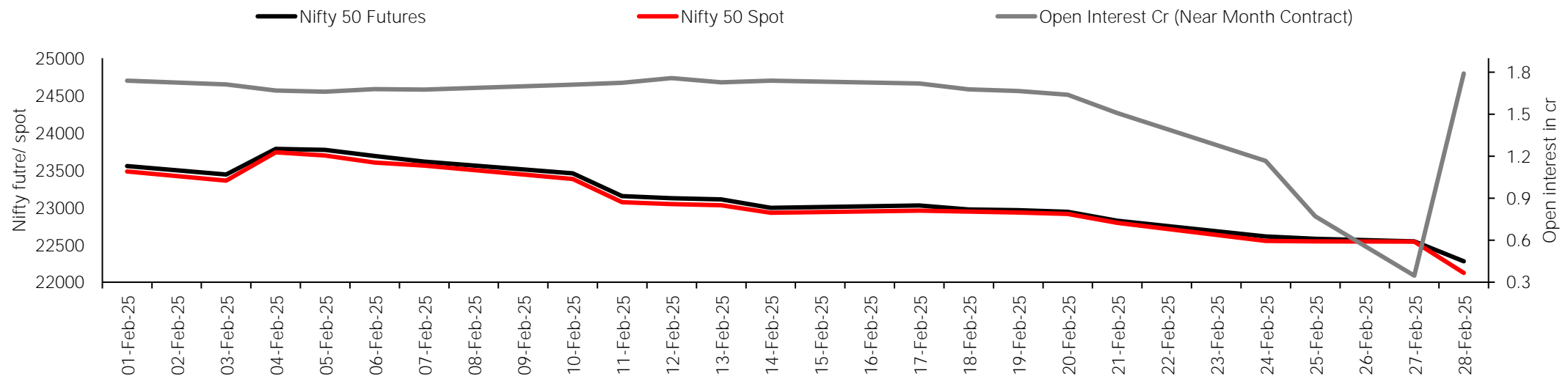


Shaded area are Estimates (E) – FY25
Source: CRISIL, MOSPI, Bloomberg, CRISIL estimates;
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- MSCI World index saw a modest correction in February, down 0.8% led by US (S&P 500) declining 1.4%. MSCI Europe, however, rose 3.5%. MSCI EM was up 0.4% supported by a strong 11.8% rally in MSCI China.
- Global macro environment remains challenging with heightened geo-political and economic uncertainties. New US administration policies with regards to tariffs on various countries etc. are likely to increase near term volatility.
- For India, GDP growth has improved to 6.2% (YoY) in Q3FY25. Government has tried to partly address the slowdown in private consumption through the income tax rate cuts in the Union Budget.
- However, a pickup in private capex will be critical as government capex is moderating. Central Government capex spend is now expected to grow only at 7% (YoY) in FY25 and at 10% (YoY) in FY26. RBI is also now trying to ease policy rates.
- With government expected to maintain its fiscal deficit reduction trajectory in FY26 and rising concerns on domestic growth as reflected in the slower Q2FY25 GDP growth, RBI cut the repo rate by 25 bps to 6.25% in Feb '25.
- FIIs sold Indian equities in Feb with an outflow of US\$5.4 bn offset by DII inflows of US\$7.4 bn. Crude oil price decline is another positive.
- In the near term, there is a certain level of slowdown in India's growth momentum, however longer-term outlook remains strong.
- India's investment cycle to be on a medium-term uptrend supported by government investment in infrastructure and manufacturing, pickup in private investments and a recovery in real estate cycle.
- Higher private investments in renewable energy and related supply chain, localization of higher-end technology components, and India becoming a more meaningful part of global supply chains to support faster growth.
- Post the recent correction, Nifty valuations are now in-line with its 5/10-year average. We remain constructive on Indian equities supported by the more robust medium term growth outlook.
- Nifty consensus EPS estimate for CY25 have been cut by about 2% (YoY) in February with the conclusion of the earnings season. However, due to the sharp market correction valuations have moderated further.
- Nifty now trades on 18.1x 1-year forward PE. This is now a 7% discount to its 5-year average and in-line with its 10-year average. Valuations in Midcap and Smallcap space have also moderated following the sharp correction over January and February.

Nifty futures

- The Nifty 50 near-month future contract of February rose on the rollover day (February 27) versus spot.
- The new near-month contract (March 27) ended around 139 points higher on February 27.
- The rollover of the new near-month contract (March 27) was 79% up on the expiry day compared to 77% in the previous expiry.
- Volatility of the Nifty 50 index, as measured by India VIX moved in a narrow range during the month, came in at 13.31 on February 27 compared to 17.39 on January 30 (rollover date) and ended the month at 13.91.
- Nifty futures saw trading volume of around Rs 4.02 lakh crore, arising out of 23 lakh contracts, with an open interest of around 38 crore during the month



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Nifty options

- On February 28, Nifty 23,000 call option witnessed the highest open interest of around 189 lakh, while Nifty 22,300 call contract garnered the maximum number of contracts of around 21 lakhs.
- Nifty 22,000 put option witnessed the highest open interest of around 139 lakh on February 28 and the Nifty 22,000 put contract garnered the maximum number of contracts of around 28 lakh.

NSE F&O turnover

- Turnover on the NSE’s derivative segment came in lower in the month. The average put-call ratio was at 0.92 in February higher than 0.90 in January.

| Instrument | Monthly turnover summary (Figures in INR crore) | | |
|---------------|---|----------------|----------|
| | 28-Feb | 31-Jan | Change % |
| Index futures | 648,505.97 | 714,628.08 | -9% |
| Stock futures | 2,544,196.83 | 3,079,845.14 | -17% |
| Index options | 356,156,140.28 | 425,374,476.08 | -16% |
| Stock options | 9,599,222.70 | 12,417,066.11 | -23% |
| Total | 368,948,065.78 | 441,586,015.41 | -16.45% |

Source – CRISIL, NSE. Data as on 28 February 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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FII segment

On February 28, FIIs’ open interest was Rs 7.53 lakh crore (~88 lakh contracts). The details of FII derivatives trades for February 1 to 28 are as follows:

| | BUY | | SELL | | BUY % | | SELL % | |
|---------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | No. of contracts | Amount in INR Cr | No. of contracts | Amount in INR Cr | No. of contracts | Amount in INR Cr | No. of contracts | Amount in INR Cr |
| Index Futures | 668855 | 107548 | 702640 | 113017 | 0.32 | 0.34 | 0.33 | 0.36 |
| Index Options | 175209501 | 28982697 | 175425110 | 29003480 | 82.79 | 92.61 | 82.76 | 92.59 |
| Stock Futures | 12732965 | 760589 | 12463958 | 743582 | 6.02 | 2.43 | 5.88 | 2.37 |
| Stock Options | 23024117 | 1445747 | 23364331 | 1464000 | 10.88 | 4.62 | 11.02 | 4.67 |
| Total | 211635438 | 31296582 | 211956039 | 31324080 | 100.00 | 100.00 | 100.00 | 100.00 |

Source – CRISIL, NSDL. Data as on 28 February 2025 , Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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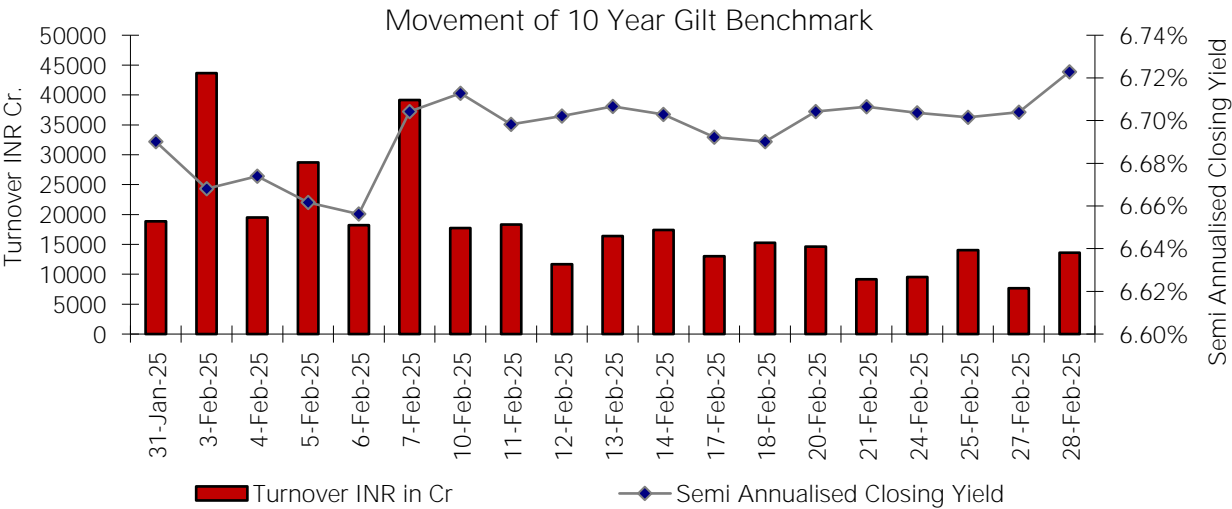
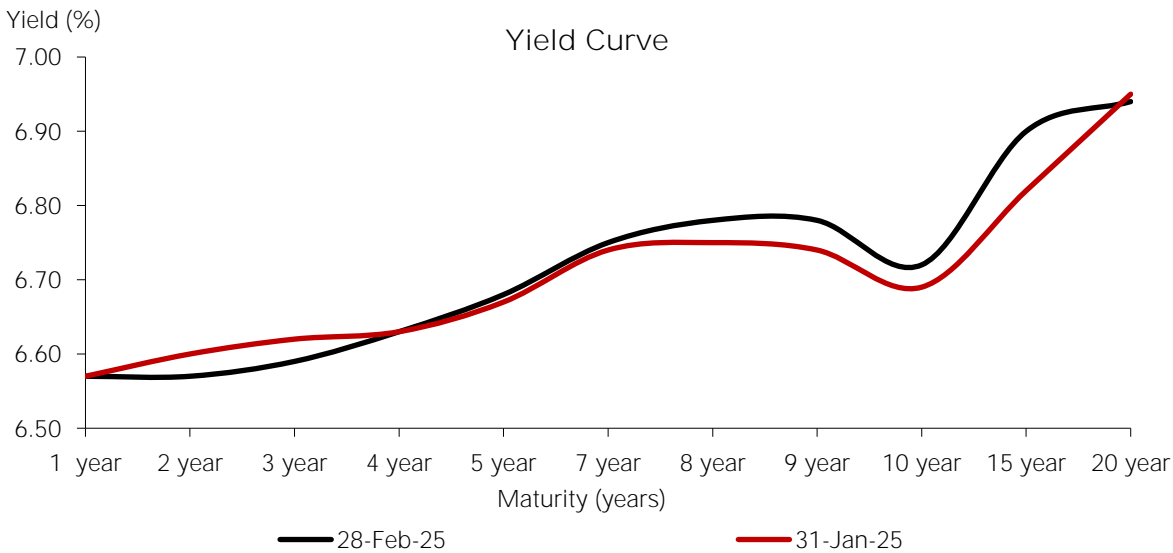
Average inter-bank call money rates averaged higher than RBI repo rate in February

- Liquidity stress continued in the Indian banking system in February 2025, as the Reserve Bank of India's (RBI) measures failed to provide a durable solution. Liquidity crunch in January has forced the central bank to take slew of measures to infuse liquidity into the banking system over several weeks.
- The tight liquidity conditions kept interbank call money rates above the newly set policy repo rate of 6.25% for most of the month. The weighted-average call money rate (WACR) averaged at 6.36% during the month.
- Bond prices ended higher in February
- Indian government bond yields moved in a narrow range for most of the month, even as global uncertainty hurt the Indian rupee and equities market. This was aided by improving macroeconomic conditions, better inflows from FPIs, and higher demand from long-term investors, such as the EPFO, pension funds, and insurance companies. After hovering in the 6.60-6.70% range, yields eventually settled at 6.72% as of February 28, compared with to 6.69% on January 31.
- Bond prices began the month on a high note on hopes of rate cuts by the RBI for the first time in nearly five years, along with expectations of the implementation of liquidity-boosting measures.
- Bond yields were also subdued by lower US Treasury yields, after a series of weaker-than-expected US economic data (pertaining to business activity, consumer sentiment and home sales) fueled expectations of multiple rate cuts by the US Fed during 2025.
- The RBI's longer-term liquidity infusion plan and indications of a dovish stance in the minutes of the February MPC meeting supported bond prices.
- However, these gains were pulled back by persistent concerns after the RBI's MPC policy meeting failed to announce additional measures to boost liquidity. As the month drew to a close, bond yields rose on weaker-than-expected demand at the RBI's debt auction and as the central bank's bond purchases fell short of market expectations.

Source: CRISIL, Data as on 28 February 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns. US- United States RBI- Reserve Bank of India
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Debt Market Review

| Debt Market Indicators | 28-Feb-25 | 31-Jan-25 |
|------------------------|-----------|-----------|
| Call Rate | 6.50% | 6.65% |
| 3-mth CP rate | 7.73% | 7.87% |
| 5 yr Corp Bond | 7.29% | 7.20% |
| 10 Yr Gilt | 6.72% | 6.69% |
| Repo | 6.25% | 6.50% |
| SDF | 6.00% | 6.25% |
| CRR | 4.00% | 4.00% |
| 1-Month CD | 6.95% | 7.26% |
| 3-mth CD rate | 7.48% | 7.48% |
| 6-Month CD | 7.61% | 7.64% |



Source: CRISIL Fixed Income database

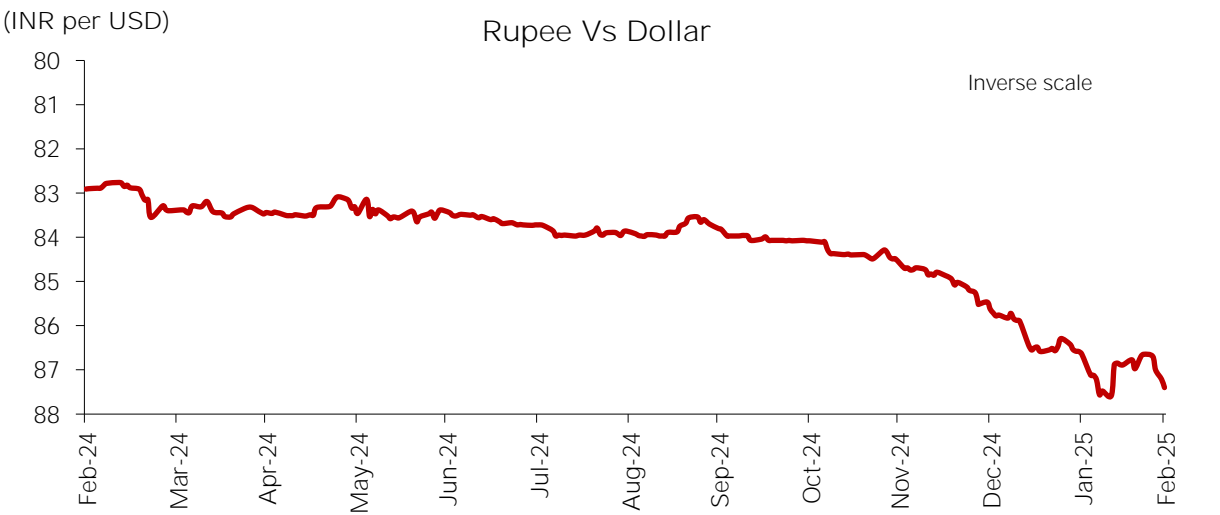
Data as on 28 February 2025, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice
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- The jitters from global uncertainties were largely reflected in FII outflows and weaker currency levels across EMs with India not spared either.
- Globally, tariff talks dominated, however, risk-off sentiment weakened as a result of a mixed set of data started to flow from the USA.
- In India, February witnessed the onset of a Triveni Sangam, with the coming together of the governments' tax cuts policy, monetary easing by way of 0.25% cut in the Repo Rate and the Reserve Banks' active steps to infuse system liquidity as well as regulatory easing to support economic growth momentum.
- Government Budget provided near-equal stimulus to both consumption (personal income tax cuts amounting to INR 1 lakh crs) and Capital Expenditure (budget outlays increased by INR 1 lakh crs), while lowering the fiscal deficit.
- The back and forth on trade tariffs by the US on its trading partners continued, there were no immediate tariffs on India when the Prime Minister of India and the US President met mid-February 2025. The developments on this front will be watched and tracked.
- Inflation outlook is improving with CPI inflation moderating to 4.3% YoY softer than street expectations of 4.5% YoY in Jan'25 compared with 5.2% YoY in Dec'24.
- The growth numbers released end-February reaffirmed that economic momentum is on path to recovery GDP growth for the December-ending quarter viz. Q3FY25 was at 6.2% YoY after having moderated in Q2FY25 to 5.6% YoY.
- With respect to bonds, during the month, G-Sec yield curve steepened with short end yields falling, while yields at the absolute long end of the yield curve hardened with expectations of increased SDL supply. Simultaneously, corporate bond issuances picked up resulting in spreads of corporate bonds vis-à-vis G-Sec widening.
- With markets pricing in three rate cuts by the US Fed could further create the wiggle room for the MPC to act on policy rates as interest rate differentials might remain steady and not be a major cause of concern or hindrance to policy easing back home.
- Given this backdrop, we continue to maintain a positive duration bias across the funds. We recommend investors to stay invested and add duration to their portfolios wherever possible subject to their risk return frameworks.

Indian rupee declined in February

- Persistent foreign portfolio investor (FPI) outflows, increased hedging in the onshore and non-deliverable forward markets, and increasing fears of a global trade war pushed the Indian rupee to its fifth straight monthly fall in February. The domestic unit closed below the 87 per dollar mark for the first time, at 87.40 on February 28, down 0.9% from January 31 (86.64 to the dollar).
- The rupee fell sharply at the start of the month owing to heightened uncertainty around US trade tariffs and persistent foreign fund outflows that sent foreign banks and importers on a dollar-buying spree. Anticipation of a rate cut by the Reserve Bank of India (RBI) and weak economic data exacerbated the fall.

| Rupee Movement V/s Global Currencies | | | | |
|--------------------------------------|-----------|-----------|--------|----------|
| | 28-Feb-25 | 31-Jan-25 | Change | % Change |
| USD | 87.40 | 86.64 | 0.7592 | 0.88% |
| GBP | 109.98 | 107.62 | 2.356 | 2.19% |
| EURO | 90.7807 | 90.0094 | 0.7713 | 0.86% |
| 100 YEN | 58.3 | 55.96 | 2.34 | 4.18% |



Rupee fell sharply due to massive pullout of funds by FPIs

Source: RBI, CRISIL. Data as on 28 February 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns. US- United States
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Global Economic Update

US economy grows at 2.3% in fourth quarter of 2024; Federal Reserve keeps interest rates steady

- The US economy expanded at an annualised 2.3% in the fourth quarter of calendar year 2024 compared with 3.1% in the third.
- US Federal Reserve (Fed) chair Jerome Powell, in his testimony, said the central bank is in no rush to cut its short-term interest rate again given that the economy is “strong overall”, with low unemployment and inflation above the Fed’s 2% target.
- President’s aggressive second-term tariff policy — imposing a 25% levy on Mexican and Canadian goods while doubling those on Chinese imports — risks triggering inflation and stunting economic growth, directly contradicting his campaign promises and creating a more precarious economic landscape than in his first term.

Key economic indicators

- The US economy non-farm payrolls added 143,000 jobs in January, well below upwardly revised gains of 307,000 in December
- Annual inflation rate increased to 3% in January compared with 2.9% in December while core inflation edged up to 3.3% from 3.2%

Eurozone economy grew annually at 0.9% in the fourth quarter; ECB expected to cut interest rates

- The Eurozone’s annual gross domestic product (GDP) growth rate remained steady at 0.9% in the fourth quarter of calendar year 2024, unchanged from the previous period.
- The European Central Bank (ECB) is expected to cut interest rates on March 5, lowering the deposit facility rate to 2.5% amid economic concerns. This follows a full percentage reduction last year and a 0.25% cut in January.
- The decision comes as Europe faces economic and political challenges, including new US tariffs on Canada, Mexico and China, which could impact the region given its global market exposure.

Key Eurozone economic indicators

- The annual inflation rose at 2.5% in January from 2.4% in December, while the annual core inflation rate remained unchanged at 2.7% for the fifth consecutive month
- Industrial production fell 2.0% on-year in December, following a revised 1.8% drop in November

UK growth expands 1.4% in fourth quarter of 2024; BoE cuts bank rate by 25bps

- The UK economy grew by 1.4% on-year in the fourth quarter of calendar year 2024, accelerating from an upwardly revised 1.0% expansion in the previous quarter.
- The Bank of England (BoE) cut its bank rate by 25bps to 4.5% in February. BoE Deputy Governor Dave Ramsden compared upcoming interest rate cuts to a mountain descent, emphasising the need for caution amid rising inflation risks. Speaking in South Africa, he echoed Chief Economist Huw Pill's analogy, stating that while a gradual approach was essential, the pace of cuts may vary depending on economic conditions.

Key UK economic indicators

- The annual inflation rate accelerated sharply to 3% in January, the highest since March 2024, from 2.5% in December
- Industrial production declined 1.9% in December, slightly cooling from an upwardly revised 2% decrease in November

PBOC maintains key lending rates; Chinese economy expands 5.4% on-year

- The People's Bank of China (PBOC) kept its key lending rates unchanged for the fourth consecutive month in February. The one-year loan prime rate (LPR), a benchmark for most corporate and household loans, was kept at 3.1%, while the five-year LPR, a reference for property mortgages, remained at 3.6%.
- PBOC Deputy Governor Lu Lei urged the active facilitation of fundraising, including special treasury bonds, to help major state-owned banks replenish CET1 capital.

Key Chinese economic indicators

- The annual inflation rate edged up to 0.5% in January from 0.1% in December
- The producer prices declined 2.3% in January, keeping the same pace as in the prior month

Japanese economy grew by 2.8% on an annualised basis in fourth quarter

- The Japanese economy grew by 2.8% on an annualised basis in the fourth quarter of calendar year 2024, accelerating from a revised 1.7% increase in the third quarter.
- Bank of Japan Governor warned of “very strong” global economic uncertainty, stressing the need for vigilance in monetary policy. Speaking after the G20 meeting in South Africa, he noted widespread concerns among finance leaders about the potential impact of US tariff policies on their economies.
- According to the IMF, the Bank of Japan is likely to raise interest rates this year, reaching neutral levels by 2027.

Key Japanese economic indicators

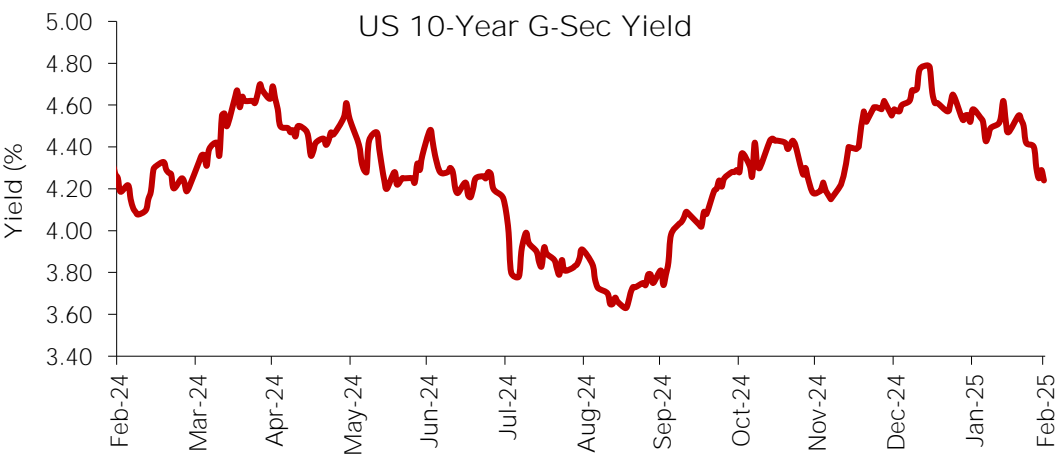
- The country’s trade deficit increased significantly to JPY 2,758.78 billion in January from JPY 1,766.54 billion in the same month a year earlier, against market estimates of JPY 2,100 billion, as imports grew much faster than exports
- The annual inflation rate climbed to 4.0% in January from 3.6% in December, while core inflation rose by 3.2% against 3%
- Industrial production increased 2.60% in January compared with a 1.1% decline in December 2024

Source: CRISIL, Data as on 28 February 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns.

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US treasury prices ended higher in February

- US Treasury prices ended higher in February due to lingering trade tariff tensions and weak economic data. The yield on the 10-year Treasury settled at 4.40% on February 28, 2025 lower than 4.58% on January 31, 2025.
- Bond prices witnessed a sharp rally in the beginning of the month after the US government announced a new batch of tariffs on China, Mexico and Canada.
- Prices also rose due to hotter-than-expected January consumer inflation report and after components of the US producer price report for January indicated lower core private consumption expenditure inflation for January.
- However, further gains in the prices were capped after the government announced it would not increase debt issuance and amid fresh signs of a solid labour market.
- Bond prices also fell after Federal Reserve Chair Jerome Powell said the central bank was in no rush to cut its short-term interest rate again. Powell said the latest consumer price index data shows while the central bank had made substantial progress toward taming inflation, more work remained, “so we want to keep policy restrictive for now”



| Global bond yields | | | |
|--------------------|--------|--------|--------|
| | 28-Feb | 31-Jan | Change |
| US 10-Year (%) | 4.24 | 4.58 | -0.34 |
| UK 10-Year (%) | 4.48 | 4.53 | -0.03 |
| German 10-Year (%) | 2.39 | 2.46 | -0.07 |
| Japan10-Year (%) | 1.36 | 1.24 | 0.12 |

Source: CRISIL, Bloomberg, Data as on 28 February 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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Economic Events Calendar

| Date | Indicators | Previous |
|-------------|--|-------------|
| 05-March-25 | India HSBC Services/ Composite PMI Final, February | 56.5 / 57.7 |
| 06-March-25 | Eurozone ECB Interest Rate Decision | 2.9% |
| 07-March-25 | US Non-Farm Payrolls, February | 143,000 |
| | Eurozone GDP Growth Rate YoY 3rd Est, Q4 | 0.4% |
| 09-March-25 | China Inflation Rate, February | 0.5% |
| 11-March-25 | US JOLTs Job Openings, January | 7.6M |
| | Japan GDP Growth Rate QoQ Final, Q4 | 0.3% |
| 12-March-25 | US Inflation Rate, February | 3% |
| | India Industrial Production, January | 3.2% |
| | India Manufacturing Production, January | 3% |
| | India Inflation Rate, February | 4.31% |
| 14-March-25 | UK GDP, January | 1.5% |
| | India WPI Inflation, February | 2.31% |
| | India Balance of Trade, February | \$-22.99B |

Source: CRISIL, Data as on 28 February 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
US- United States, UK- United Kingdom, GDP- Gross Domestic Product, WPI- Wholesale Price Index

Economic Events Calendar (cont'd)

| Date | Indicators | Previous |
|-------------|--|-------------|
| 17-March-25 | India WPI Manufacturing, February | 2.51% |
| 19-March-25 | Eurozone Inflation Rate Final, February | 2.5% |
| | Japan BoJ Interest Rate Decision | 0.5% |
| 20-March-25 | US Fed Interest Rate Decision | 4.50% |
| | UK BoE Interest Rate Decision | 4.5% |
| | China Loan Prime Rate 1Y/ 5Y, March | 3.1% / 3.6% |
| 21-March-25 | Japan Inflation Rate YoY, February | 4% |
| 24-March-25 | India Manufacturing/ Services/ Composite flash, March. | 56.3 |
| 26-March-25 | UK Inflation Rate, February | 3% |
| 27-March-25 | US GDP Growth Rate QoQ, Q4 | 3.1% |
| 28-March-25 | UK GDP Growth Rate, Q4 | 1% |
| 31-March-25 | India Government Budget Value, February | Rs -11695B |

Source: CRISIL, Data as on 28 February 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns.

US- United States, UK- United Kingdom, GDP- Gross Domestic Product, PCE – Personal Consumption Expenditure

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Annexure Indian Economic Environment

Other major developments

- The Cabinet approved the continuation and restructuring of the Skill India Programme till fiscal 2026, with an overlay outlay of Rs 8,800 crore from fiscal 2023 to fiscal 2026. The Cabinet also combined three key components of the scheme, viz., the Pradhan Mantri Kaushal Vikas Yojana 4.0, the Pradhan Mantri National Apprenticeship Promotion Scheme and the Jan Shikshan Sansthan Scheme under the composite central sector scheme.
- Undertook a partial modification of an earlier decision from February 2019 and gave an ex-post facto approval for the revision of divisional jurisdiction under the proposed South Coast Railway Zone at Visakhapatnam by retaining the truncated Waltair Division. It also approved the renaming of this division as the Visakhapatnam Division.
- Approved the extension of the tenure of the National Commission for Safai Karamcharis for three years beyond March 31, 2025. The decision is expected to lead to financial implication of ~Rs 50.91 crore.
- Approved the new Income Tax Bill, which will replace the existing Income Tax Act, 1961. The new bill seeks to reduce legal complexities, simplify compliance and modernise the country's tax system without the need to introduce new taxes. It focuses on a single tax regime, reducing litigation and cutting the law's length by 50%.

Source –CRISIL, Data as on 28 February 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns.

RBI- Reserve Bank of India GDP- Gross Domestic Product

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Regulatory developments in the month

- The Reserve Bank of India (RBI) announced its plans to implement Additional Factor of Authentication for cross-border card not present, or CNP, transactions.
- The RBI widened the scope of Unified Payments Interface (UPI) transactions by allowing small finance banks to provide pre-sanctioned credit lines for UPI transactions.
- The Securities and Exchange Board of India (SEBI) proposed the use of a SIM binding mechanism as a means of preventing unauthorised access to trading and demat accounts, similar to the security measures used in UPI payments.
- SEBI issued a circular for the regulation of the newly created Specialised Investment Fund (SIF) category, which will come into force with effect from April 1, 2025. The market regulator stated that it would allow asset managers with a track record of over three years and experience in managing at least Rs 100 billion rupees in assets to offer a range of investment strategies under this category, which is aimed at wealthier investors.

Key economic indicators released in the month

- The output of India's eight core sectors came in at 4.6% in January, slightly slower than the 4.8% expansion (revised) recorded in the preceding month. A subdued performance of energy-related industries, particularly crude oil, natural gas and electricity, dragged down overall output.
- The HSBC India Manufacturing Purchasing Managers' Index (PMI) for January printed at 57.7, a vast improvement from the 12-month low of 56.4 recorded in December 2024. The manufacturing PMI of January, which represented the quickest pace in six months, was spurred by a surge in new orders amid the steepest upturn in exports in nearly 14 years. However, the HSBC Services PMI edged down from 59.3 in December to 56.5 in January because of softer increase in sales and output. Consequently, the HSBC India Composite PMI dropped from 59.2 in December to a 14-month low of 57.7 in January.

Source –CRISIL, Data as on 28 February 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns.

RBI- Reserve Bank of India GDP- Gross Domestic Product

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^ - Sources- <https://www.rbi.org.in/>

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