

Market Outlook

July 2025



Global Economy

July 2025

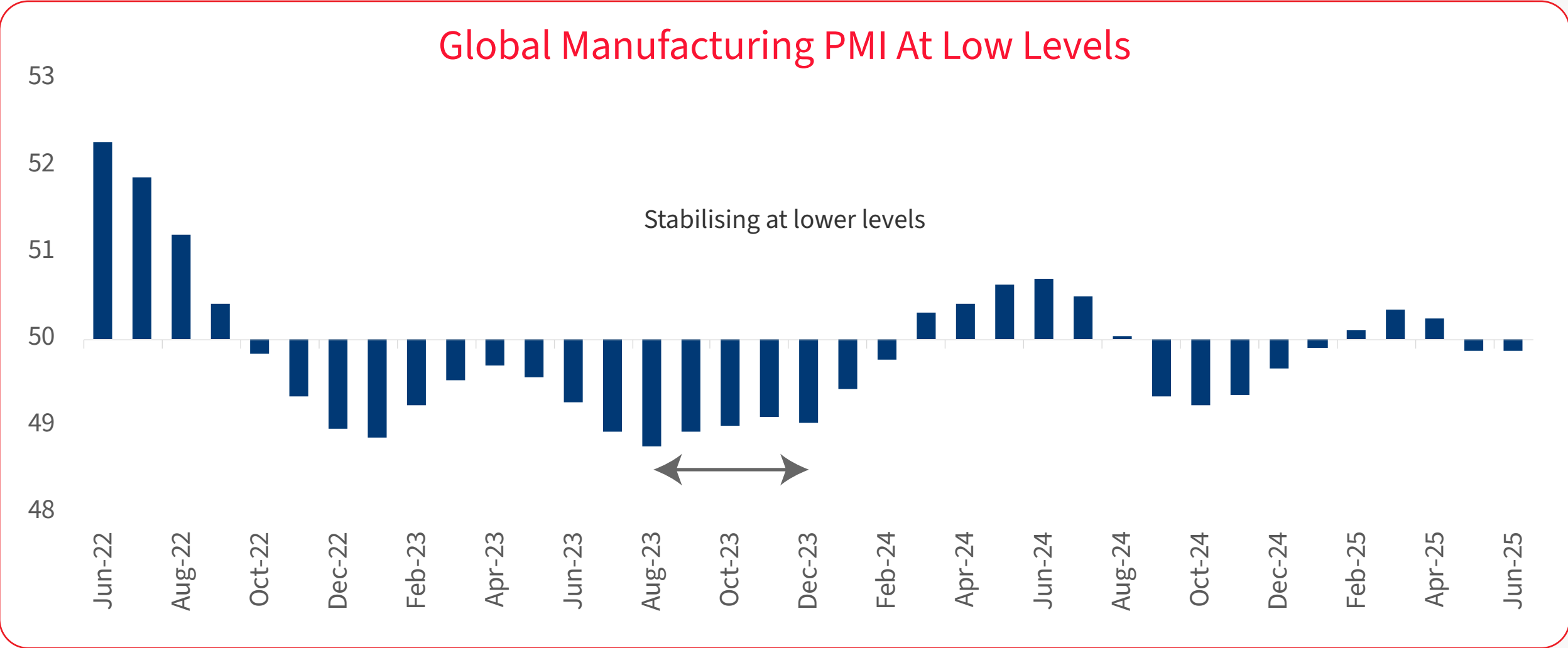


OECD Lowers 2025 Forecast, Flags Trade Tensions

OECD Growth Projections

	Forecast For 2025 GDP	Change VS March Forecast	Forecast For 2026 GDP	Change Vs March Forecast
World	2.9%	-0.2pp*	2.9%	-0.1pp
US	1.6%	-0.6	1.5%	-0.1
Euro Area	1.0%	0.0	1.2%	0.0
Japan	0.7%	-0.4	0.4%	+0.2
China	4.7%	-0.1	4.3%	-0.1
India	6.3%	-0.1	6.4%	-0.2
Brazil	2.1%	0.0	1.6%	+0.2

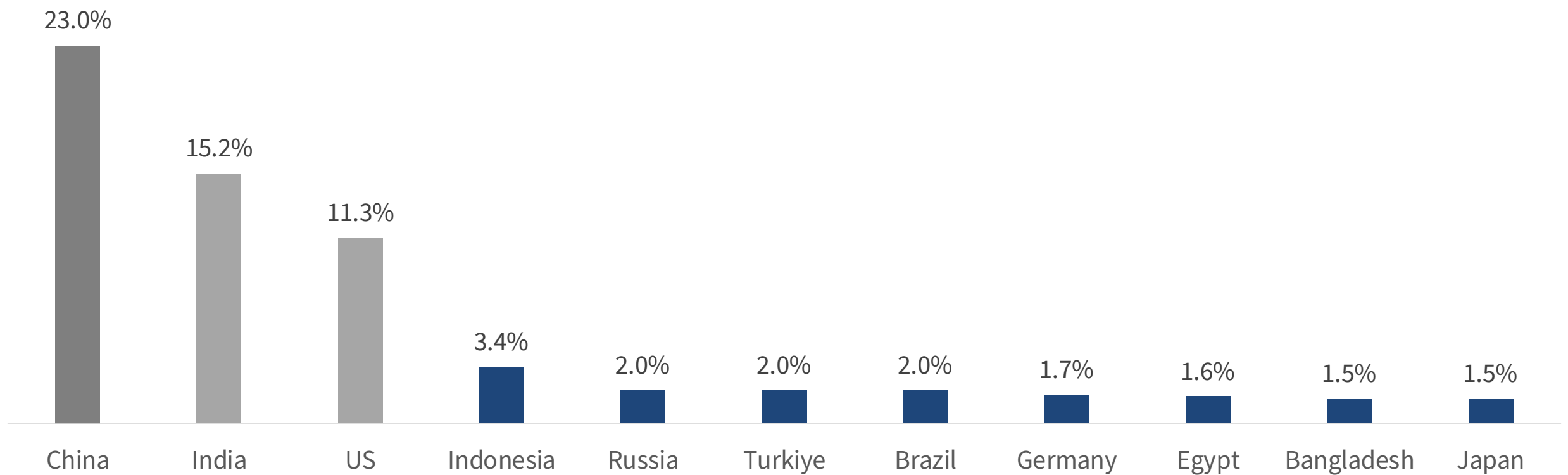
Global Manufacturing PMI At Low Levels



Source: Bloomberg, Nuvama Research, Organization for Economic Cooperation and Development (OECD), PMI =Purchasing Managers' Index.
 As on 30th June 2025. As Per Latest Data Available | *pp - percentage points

China, India & US Could Contribute ~50% Of Global Economic Growth

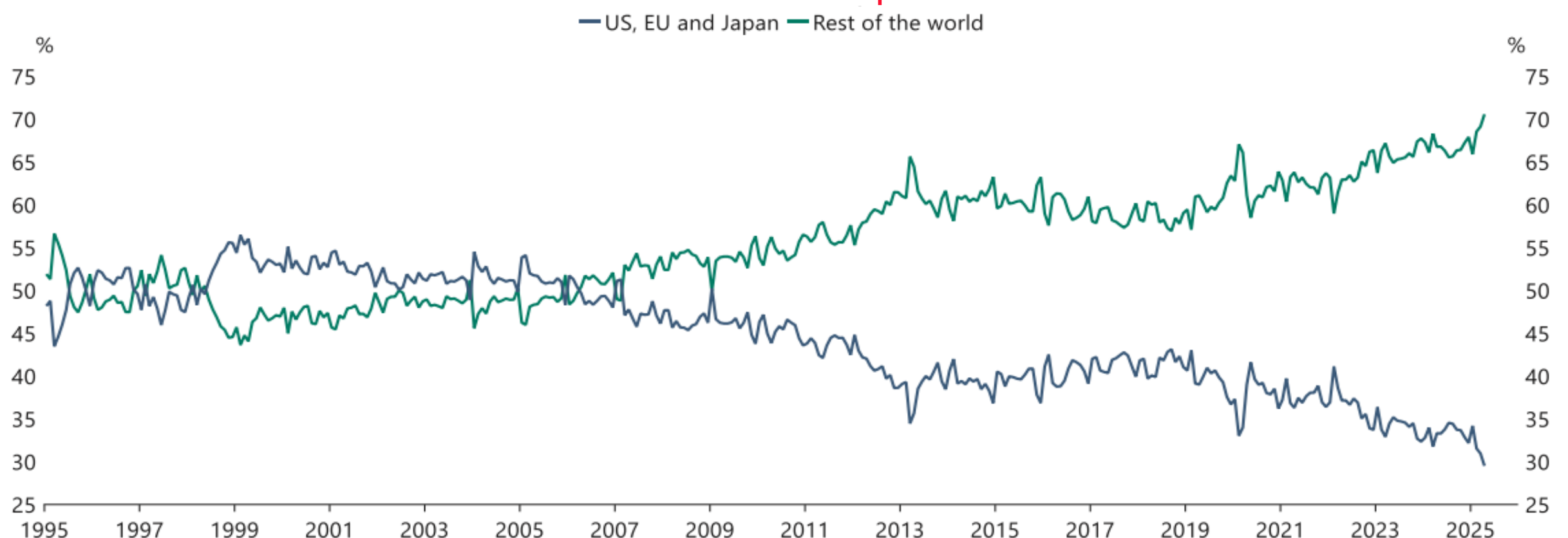
Share Of Global Economic Growth (2025-2030)



Source: Bloomberg calculation based on IMF Data, Global Times report as on 3rd June 2025, As Per Latest Data Available

Chinese Share Of Exports To US, EU, And Japan Declining

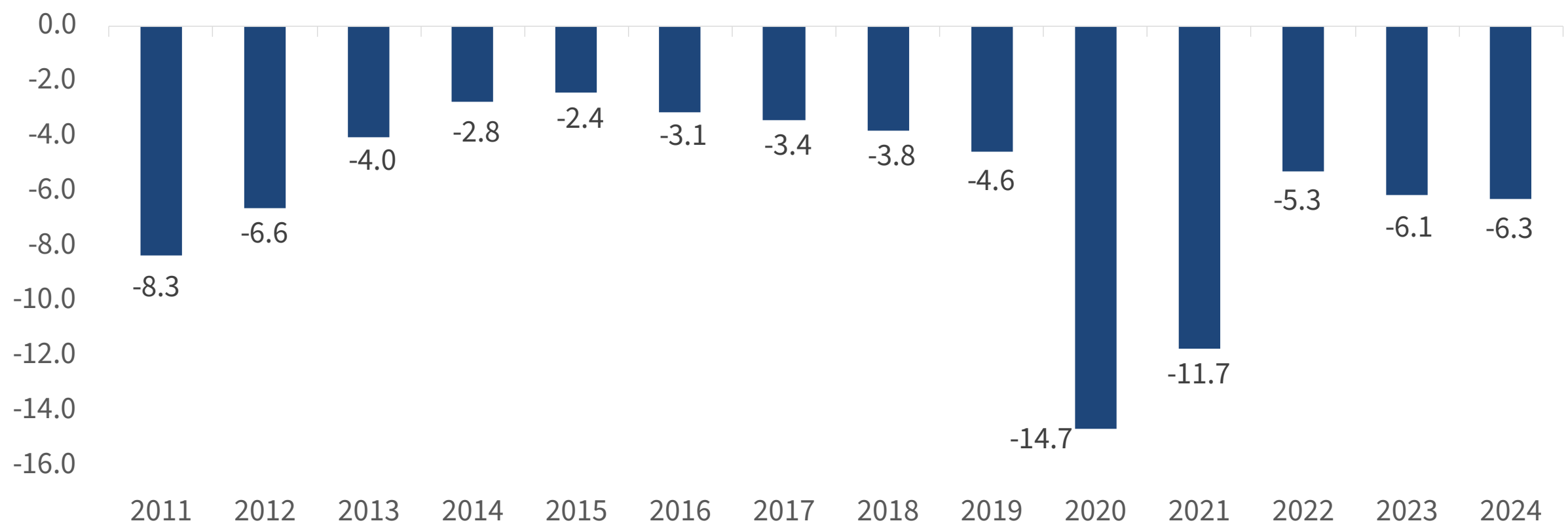
Share of Chinese exports to:



Source: China General administration of customs(GAC), Macrobond, Apollo Chief Economist report as on June 2025. As per latest data available

US Federal Deficit & Debt Has Remained Elevated

US Federal Deficit/GDP (%)



Source: FRED, IMF, Kotak Institutional Equities , As per latest data available

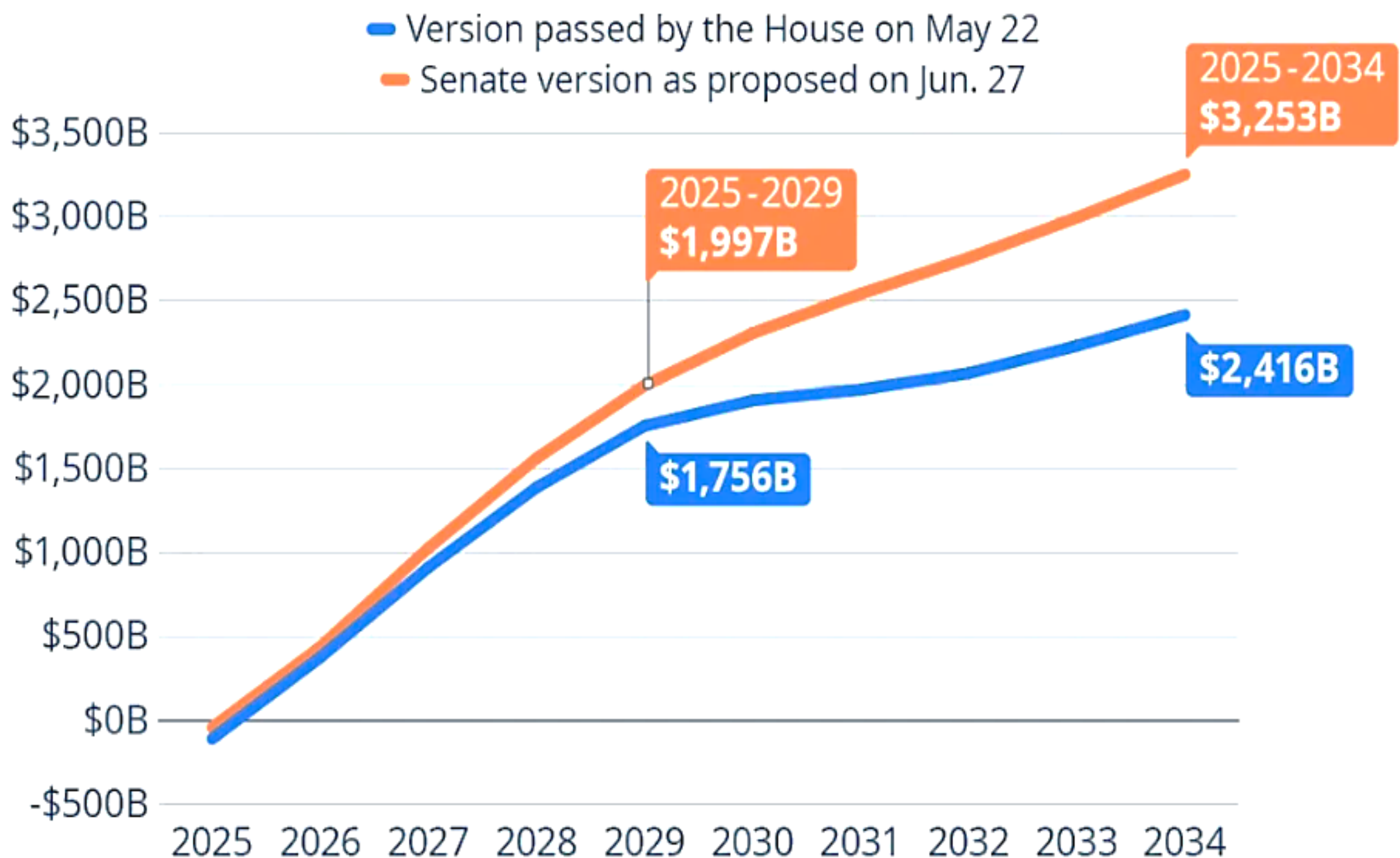
US National Debt Surpasses \$37 Trillion



Source: <https://www.usdebtclock.org/> , Data as on 3th July 2025

New Big Beautiful Bill Could Add \$3.3T to Federal Debt

Estimated cumulative net effect of the one Big Beautiful Bill Act on the federal deficit



Source: Congressional Budget Office, Voronoi as on 2nd July 2025

Key Take Away

- The OECD has revised its global growth projections downward due to prevailing uncertainties and global PMI indicators are now tilting towards the lower end of the growth spectrum, signaling a slowdown.
- Countries are experiencing varied combinations of inflation and growth—India, US, UK, and China are in a favorable “disinflationary boom.”
- The US economy shrank in Q1 2025, burdened by a \$37 trillion national debt and a \$1 trillion annual interest payment.
- Proposed fiscal measures like the “Big Beautiful Bill” may widen the deficit further, adding another \$3.3 trillion to the federal deficit.
- Economic policies in the US remain confusing and contradictory. Consumer sentiment is weakening, job creation is slowing, and investor confidence is under strain.
- The ongoing trade uncertainties and shifting policy stances continue to weigh on the global growth outlook.

Source: KMAMC Internal | Bloomberg, Nuvama Research, Organization for Economic Cooperation and Development (OECD), PMI =Purchasing Managers' Index . As on 30th June 2025. Gavekal Research /Macrobond report dated 3rd July 2025, U.S. Department of Commerce, Congressional Budget Office, Voronoi as on 2nd July 2025, University Of Michigan, Haver Analytics, Apollo Chief Economist. Data As of May 2025, As per latest data available.

Indian Economy

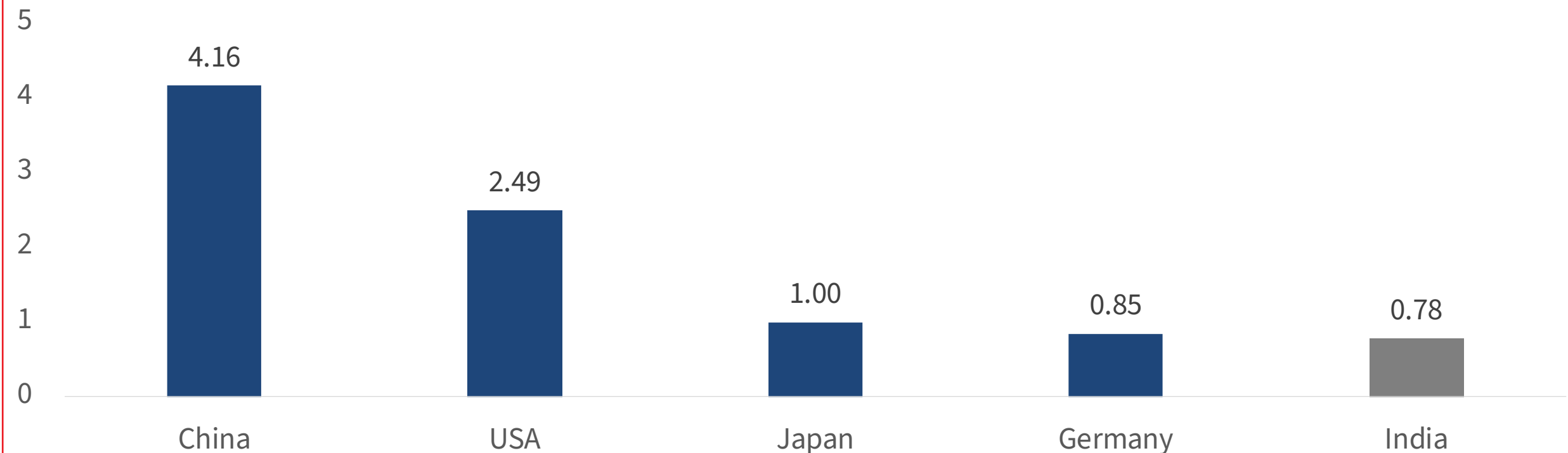
July 2025



India Breaks Into Global Manufacturing Top 5

\$781 Billion output puts India ahead of South Korea, UK & France

Manufacturing Output (In Trillion)



Source: World Bank report 2024, as per latest data available

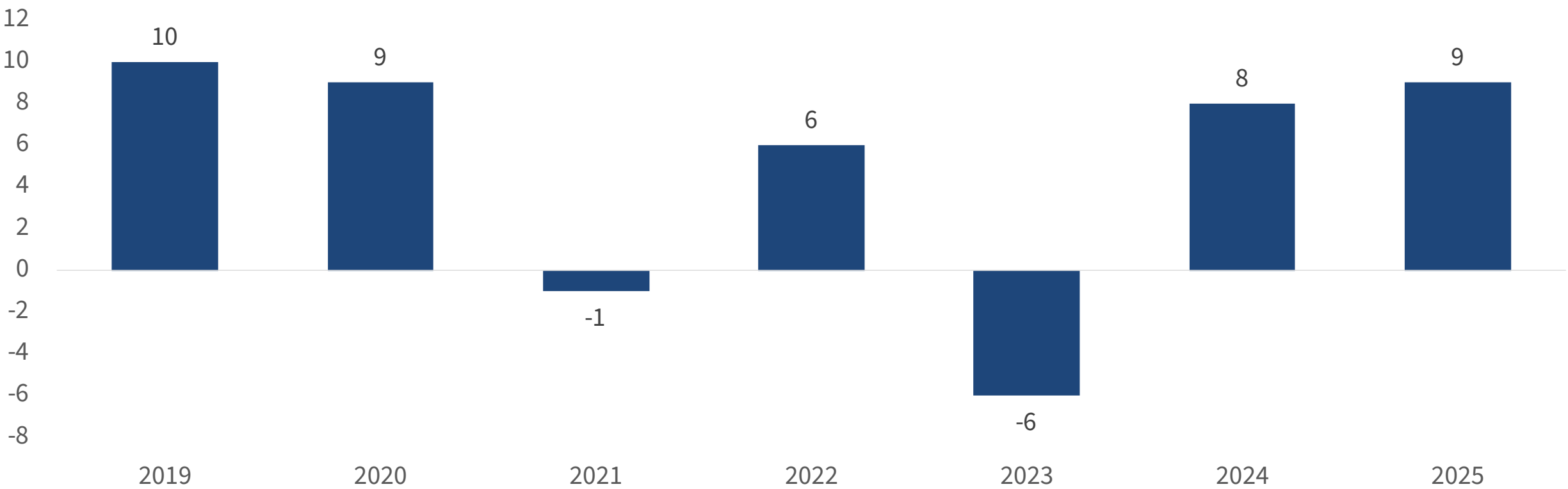
India Is Fiscally Prudent

Core Debt Of Non-Financial Sector (Q4 2024 - % Of GDP)					Change Since Q1 2008			
	Household	Corporate	Govt.	Total	Household	Corporate	Govt.	Total
Debt/GDP (Avg %)	57	79	92	228	0	5	36	41
Australia	112	61	50	223	5	-16	42	31
Brazil	36	57	87	180	18	26	25	69
China	60	138	84	282	41	43	55	139
France	61	155	107	323	15	50	39	104
Germany	50	89	59	198	-10	21	-6	5
India	42	51	83	176	-1	-12	9	-4

Source: BIS , IMF National Sources. As on Dec 2024, As per latest data available

All India Rainfall Surplus At 9% Above LPA

Rainfall Deviation From Normal (% of LPA)



Source : CEIC, IMD, ICICI Bank Research; Rainfall data is till 30 June 2025

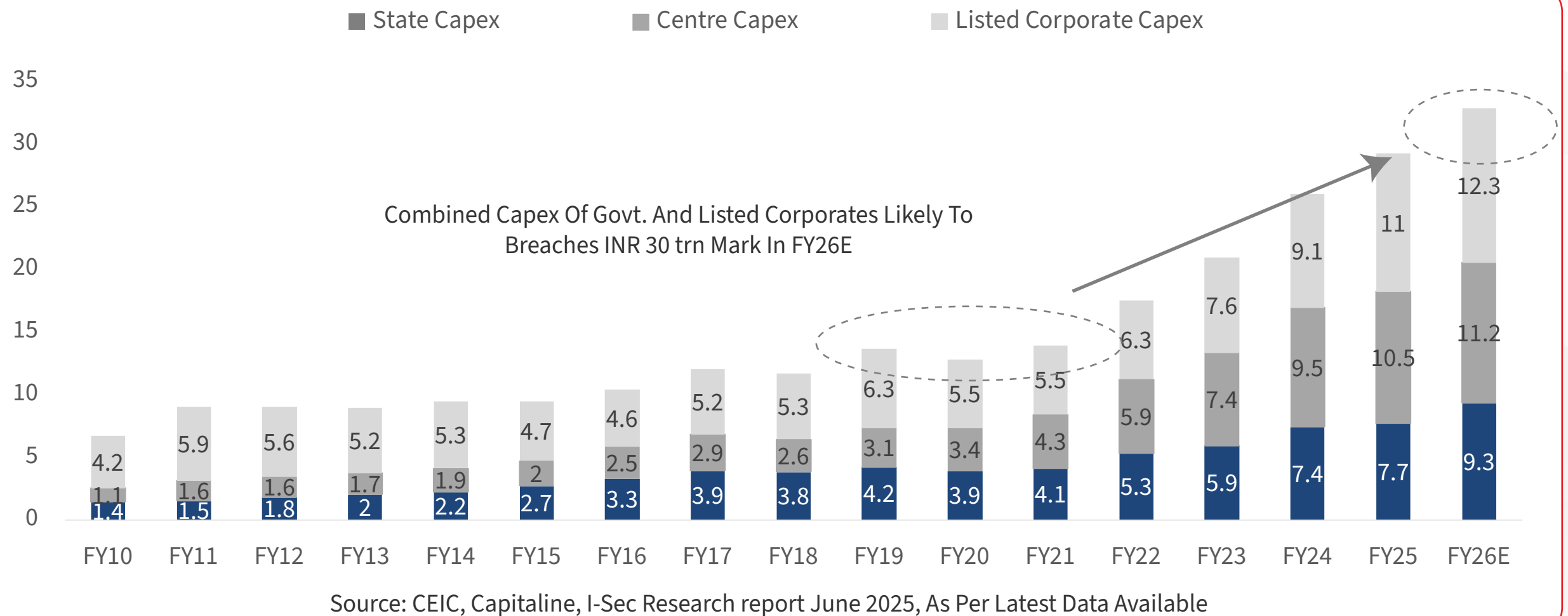
Kharif Sowing Picks Up Pace

Area Sown Under Kharif Crop Up 11.3%

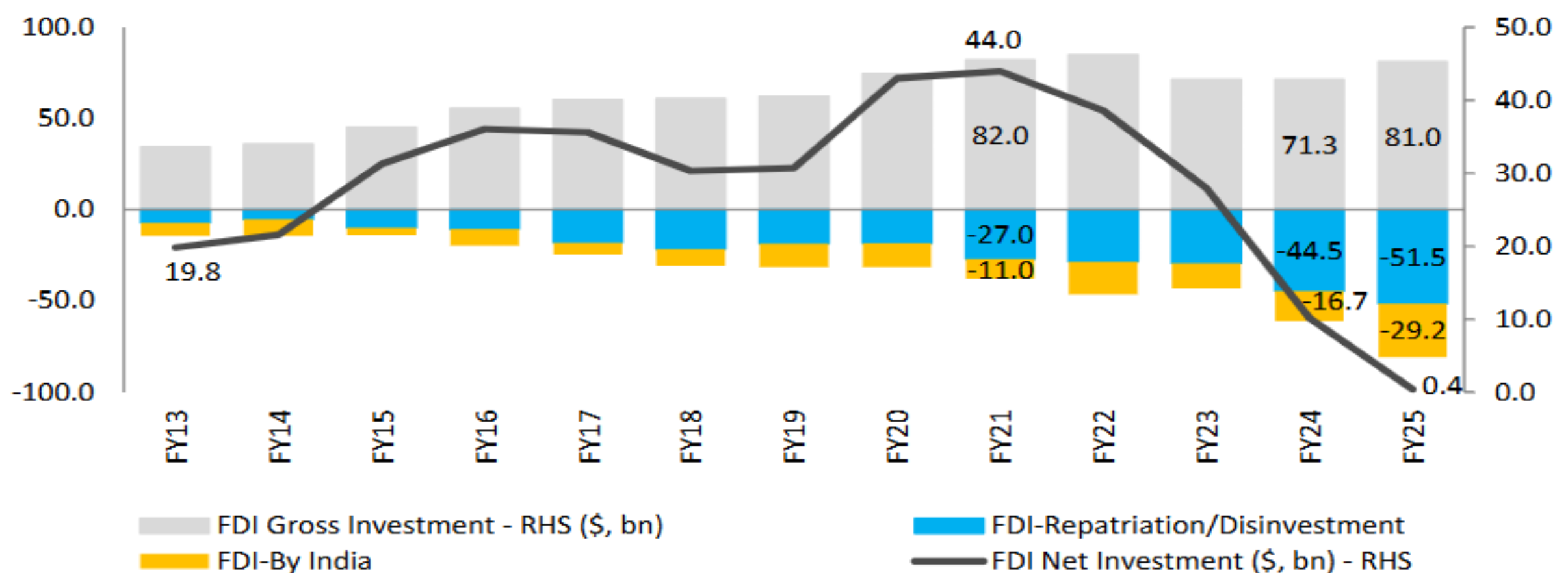
Million Hectare	27-Jun-24	27-Jun-25	% YoY
Rice	2.4	3.5	47.3
Pulses	1.5	2.1	37.2
Coarse Cereals	3.5	4.2	19.3
Oilseeds	4.1	4.9	20.0
Sugarcane	5.5	5.5	0.5
Jute&Mesta	0.6	0.5	-2.7
Cotton	6.0	5.5	-8.9
Total	23.5	26.2	11.3

Source : PIB, Ministry of Agriculture & Farmers Welfare, Long Period Average (LPA) ICICI Bank Research. Sowing data is as on 27 June, 2025

Listed Corporate Capex Outpaces Centre's Capex



FDI Net Investment In FY25 Declined To \$0.4bn, The Lowest In Over A Decade



Note: Outward FDI by Bharti, Viacom18, Tata Com, L&T, Sagility and Adani Ports | Source: RBI, Avendus Spark Research, As per latest data available

Key Take Away

- While India has overtaken Japan as the world's fourth-largest economy and is now among the top five global manufacturing hubs, it is also notable that India is the only major economy to have reduced its debt-to-GDP ratio since 2008. This achievement is due to corporate deleveraging, despite a temporary rise in government borrowing during the COVID period, and has enhanced India's creditworthiness.
- Agricultural output remains robust, supported by a favorable monsoon and high reservoir levels, which have boosted Kharif sowing.
- Corporate capacity utilization is healthy, manufacturing activity is expanding, and both government and private capital expenditures are rising, with private capex expected to outpace government spending in FY26.
- With oil prices moderating and potential GST rate cuts on key items, consumption could receive an additional boost, while rising PSU valuations present opportunities for government divestments to help fund fiscal needs.

Source: IMF, May 2025, As per latest data available, World Bank Report 2024, BIS, IMF National Sources, As on Dec 2024, Bloomberg, Data as on 10 June 2025, Agriculture Ministry May 2025, CEIC, IMD, Central Water Commission, ICICI Bank Research, Rainfall Data is till 30 June 2025, RBI, I-Sec Research, Data as on Mar 25, CGA website, Data as on April 2025, Capitaline, I-Sec Research report June 2025, Ace Equity, Jefferies report June 2025, Budget documents, DIPAM, As per latest data available

Equity Markets

July 2025



Snapshot of 1HCY25

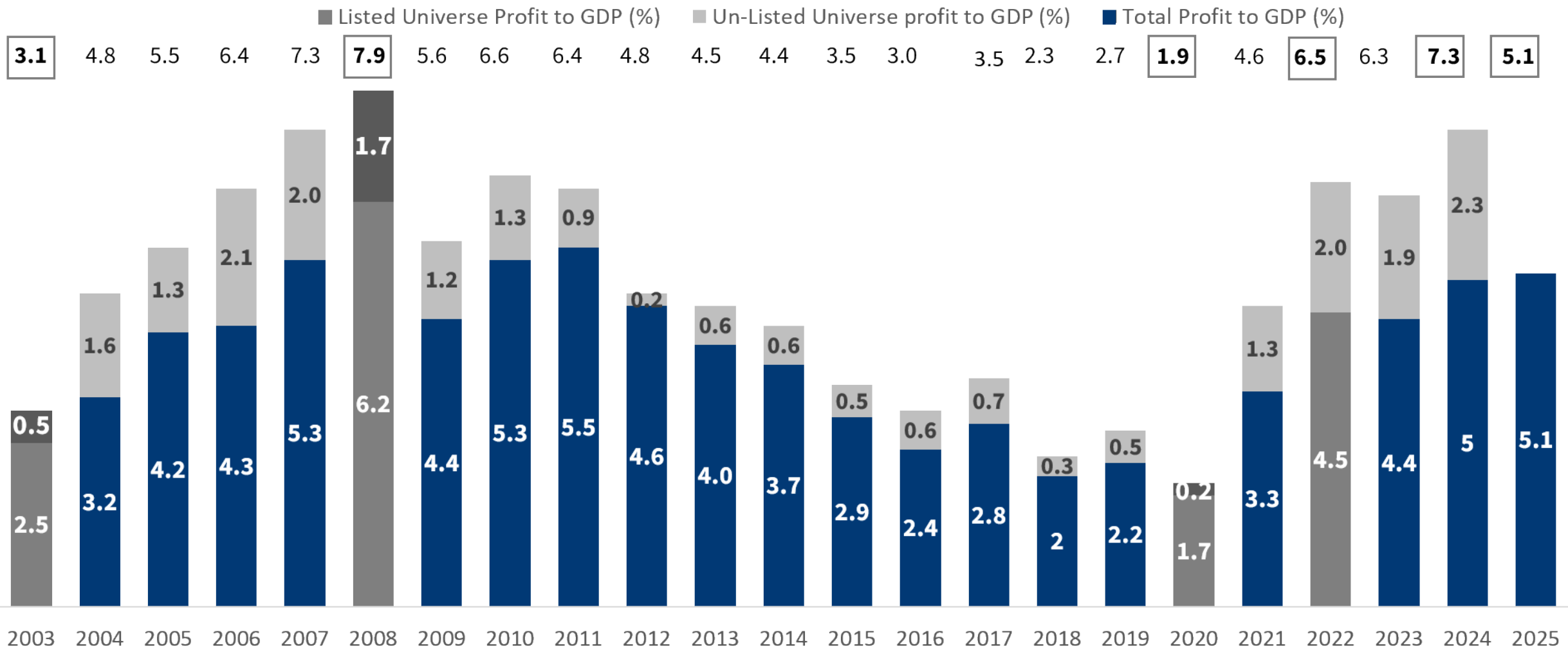
1HCY25 Snapshot			
Benchmark	Prices		Perf (%)
	30-Jun-25	31-Dec-24	
Nifty 50 Index	25517	23645	7.9
Nifty Midcap 150 Index	21989	21141	4.0
Nifty Smallcap 250 Index	17798	17752	0.3
Dollar Rate	85.8	85.6	0.2
Crude Prices	69.0	74.1	-6.9
Gold (\$/OZ)	3284	2625	25.1
US 10 Year Yield	4.2	4.6	-0.32
India 10Y G-Sec	6.3	6.8	-0.44

	1HCY25
FII Flows (US \$Bn)	-8.3
DII Flows (US \$Bn)	41.1
Nifty Top Performers	% Returns
BEL	43
Bajaj Finance Ltd	35
HDFC Life	32
Nifty Worst Performers	% Returns
TCS	-16
Infosys	-15
Trent	-12

Source: Bloomberg, As on 30th June 2025. The stocks/sectors mentioned do not constitute any kind of recommendation and are for information purpose only. Kotak Mahindra Mutual Fund may or may not hold position in the mentioned stock(s)/sector(s). Kotak Mahindra Asset Management Company Limited (KAMAMC) is not guaranteeing or promising any returns/futuristic returns.

India Inc's Share In GDP Is At Its Highest Since 2008

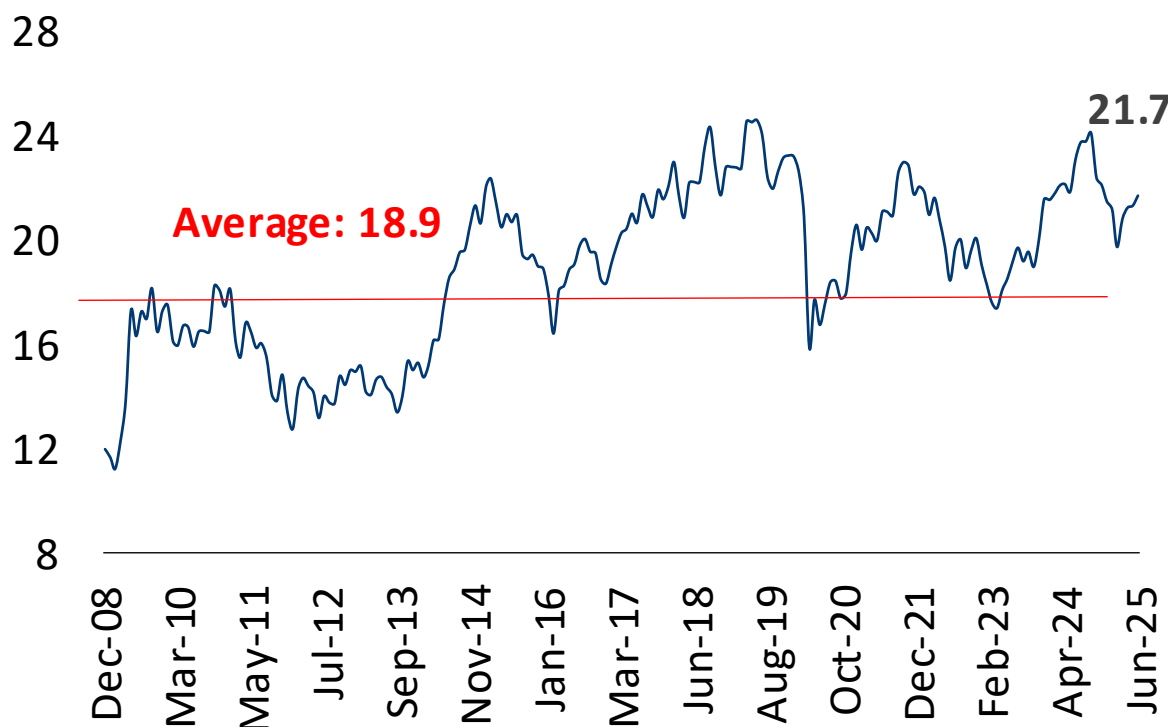
India Inc. (Listed/Unlisted) – The Corporate Profit-To-GDP Ratio Trend



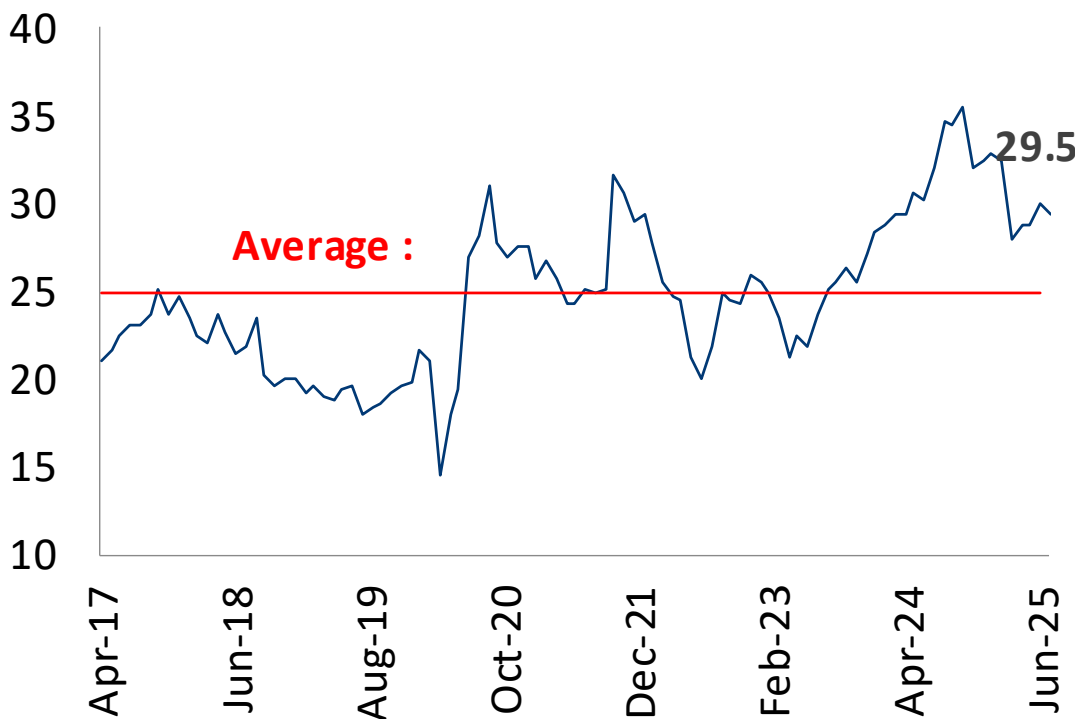
Source: MOFSL, As Per Latest Data Available, Note: Corporate Profit compiled from Capitaline for available listed and Unlisted Companies, FY25 Earnings from Unlisted Companies are yet to be available

Markets Are Trading At A Premium To Historical Valuations

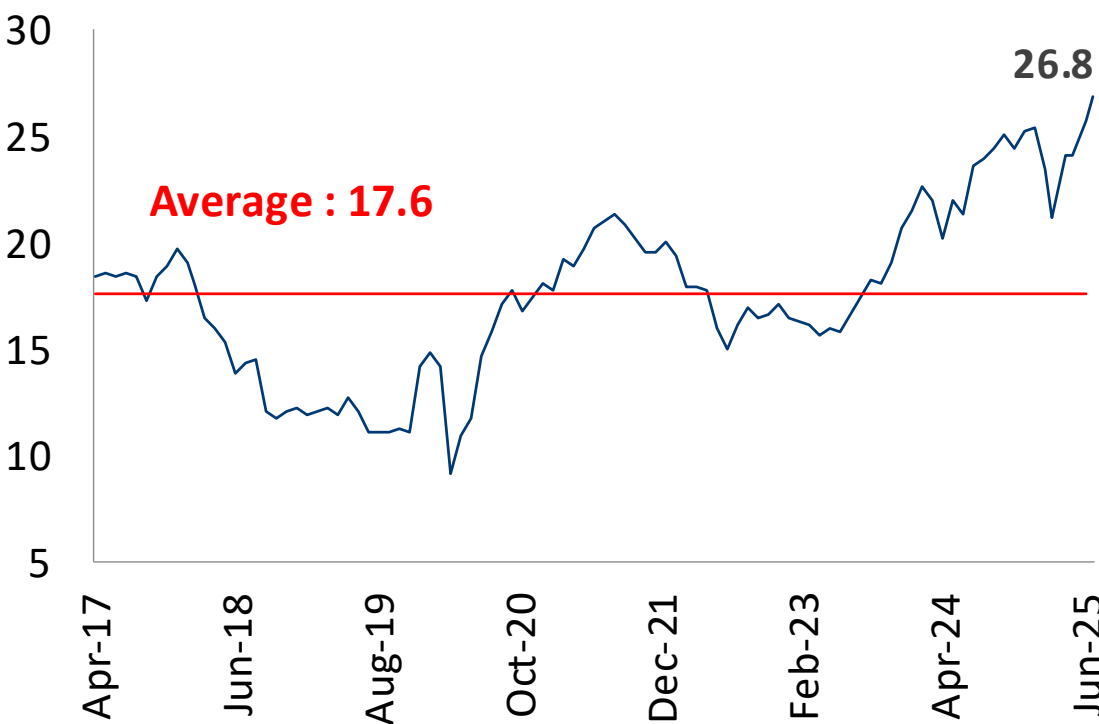
NIFTY 50 Index P/E (x) - 1 Year Forward



NIFTY Midcap 150 Index P/E (x) - 1 Year Forward



NIFTY Smallcap 250 Index P/E (x) - 1 Year Forward



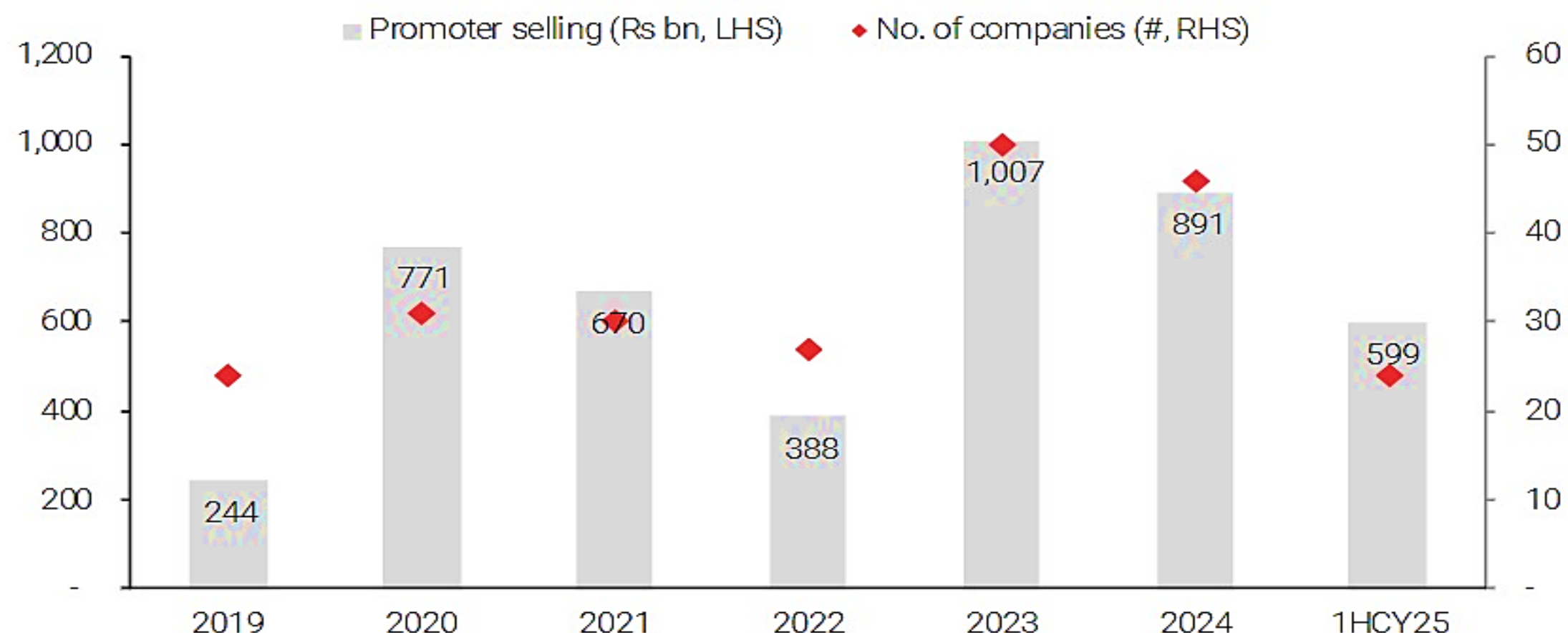
Valuation*

Largecap	15% Premium to historical average
Midcap	19% premium to historical average
Smallcap	52% premium to historical average

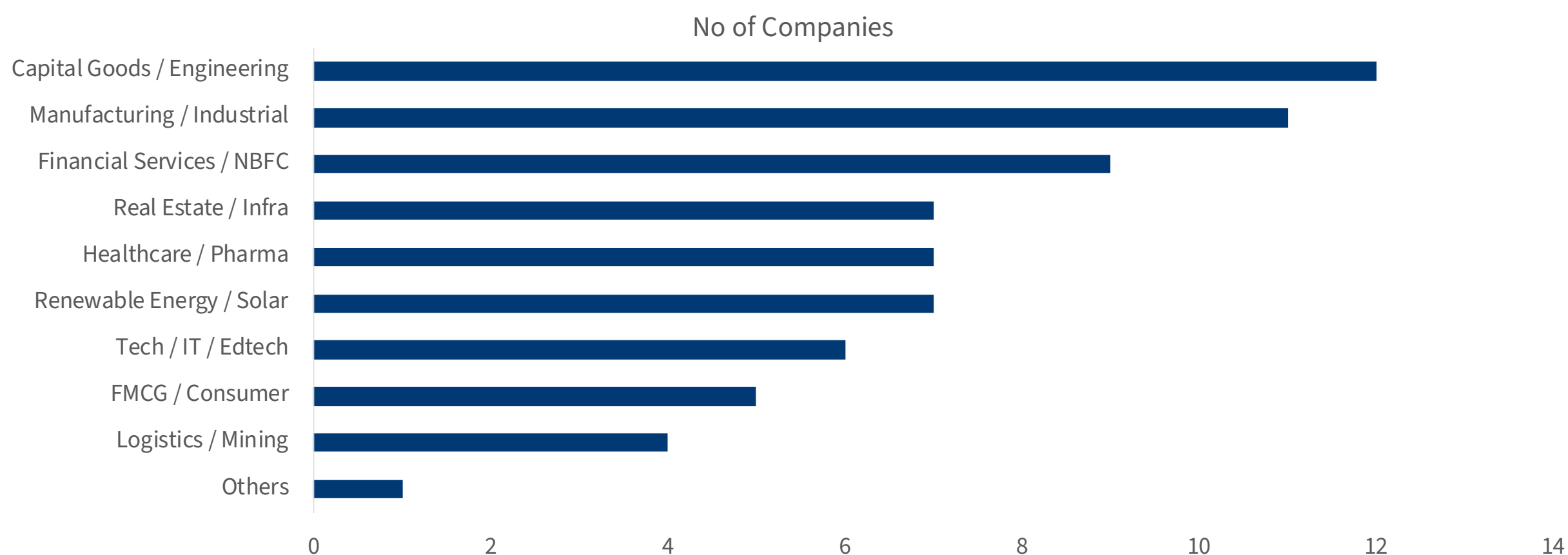
Source: Motilal Oswal, Bloomberg, As on 30th June 2025. As per para 2.7 of SEBI Master Circular No. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2024/90 dated June 27, 2024, Large Cap: 1st -100th company in terms of full market capitalization. Mid Cap: 101st -250th company in terms of full market capitalization. Small cap: 251st company onwards in terms of full market capitalization.

Promoters Sold US\$7 Bn Of Stake In 1HCY25

Promoter Selling Through Bulk/Block Deals In Nifty 500 Index Stocks, Calendar Year – Ends, 2019-25

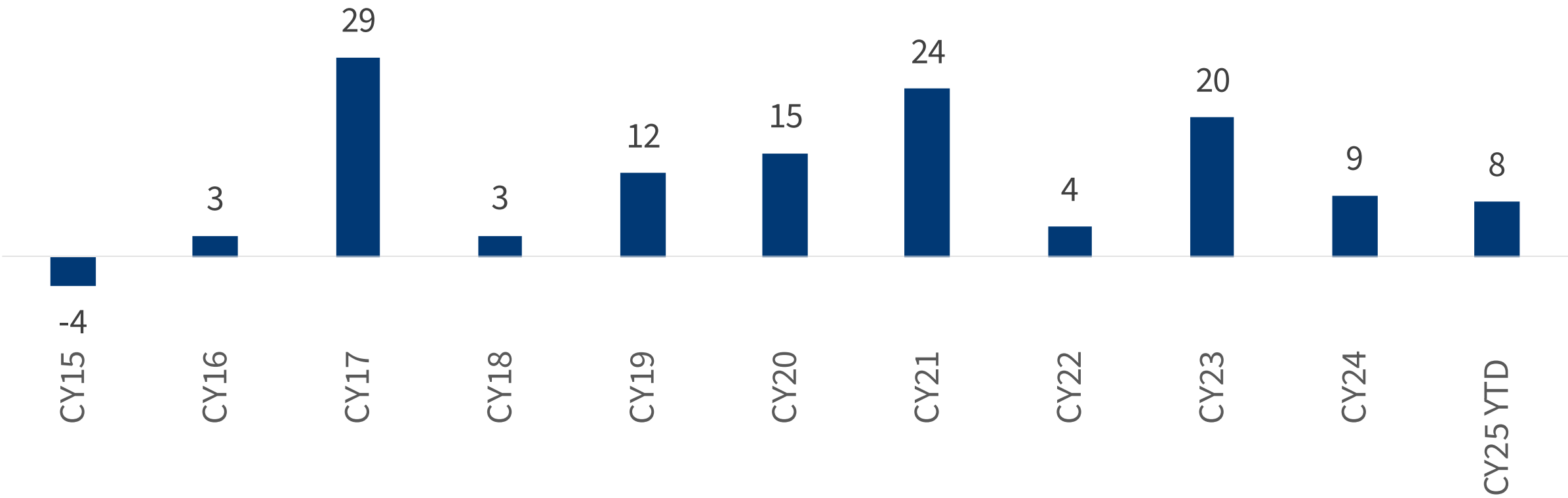


69 Companies have received SEBI's Green Signal for IPO Launch

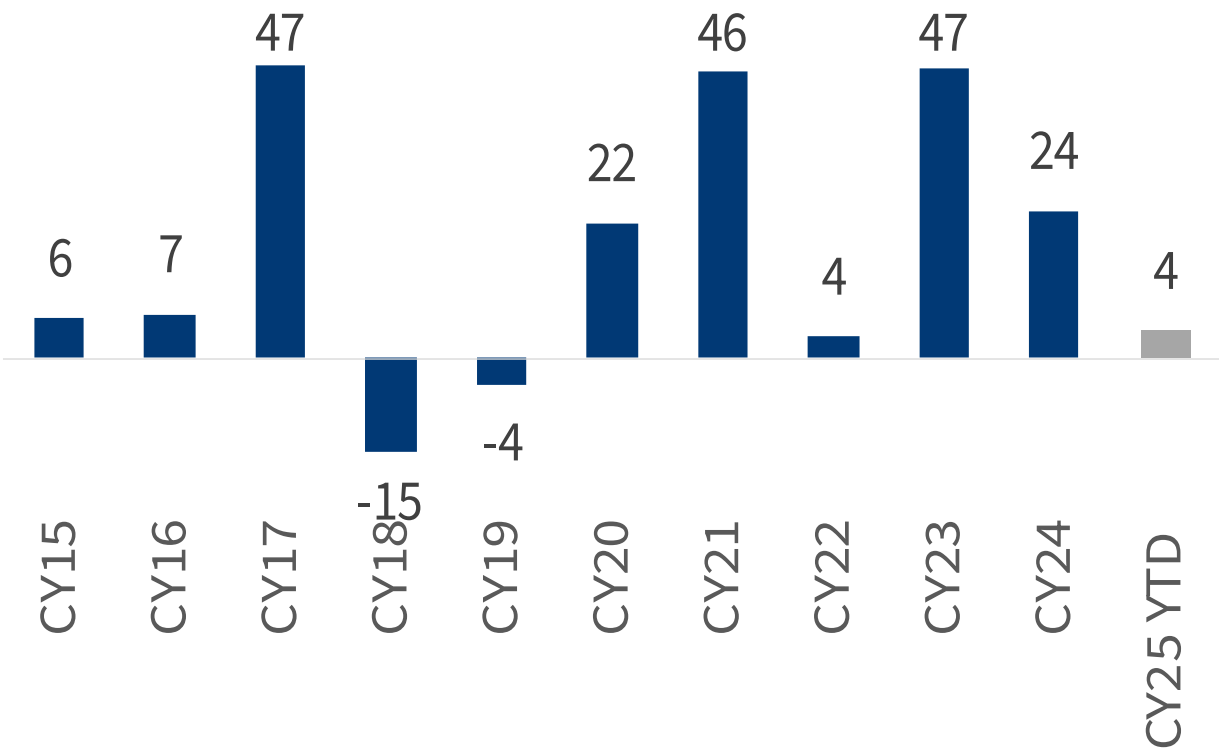


Large Cap Outperform Small And Mid Cap Finally

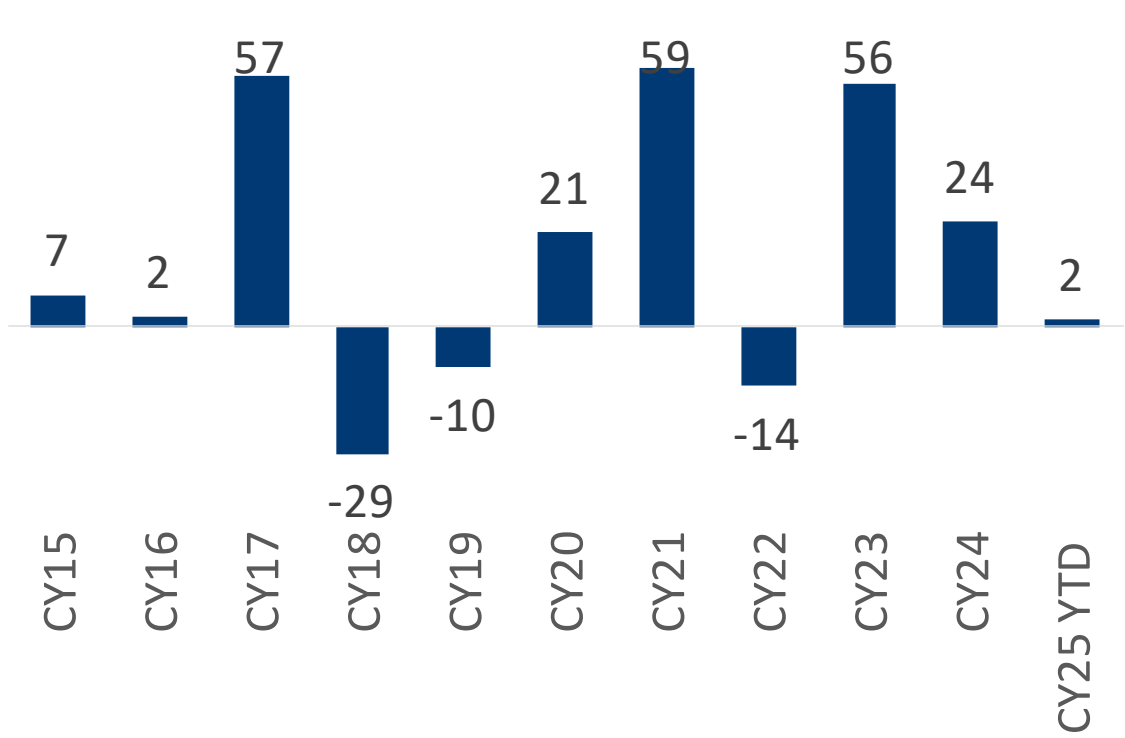
Nifty-50 Index YoY Returns (%)



Nifty Midcap 100 Index YoY Return (%)



Nifty Smallcap 100 Index YoY Returns (%)



Neutral To Equity, Correction Is An Opportunity To Add

Neutral weight	Equities
Over Weight	Large cap
Marginal Under Weight	Midcap
Under Weight	Smallcap

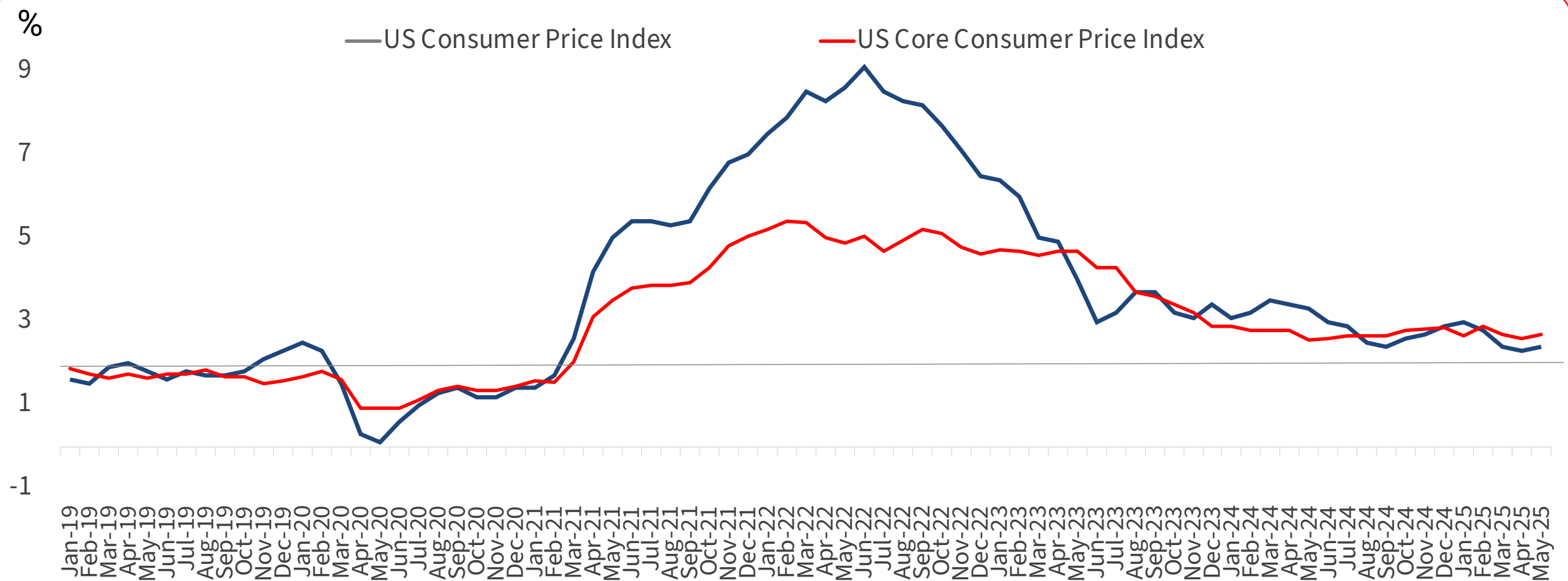
Source: KMAMC internal , OW – Overweight, UW – Under Weight, As per para 2.7 of SEBI Master Circular
No. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2024/90 dated June 27, 2024, Large Cap: 1st -100th company in terms of full market capitalization.
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Debt Markets

July 2025

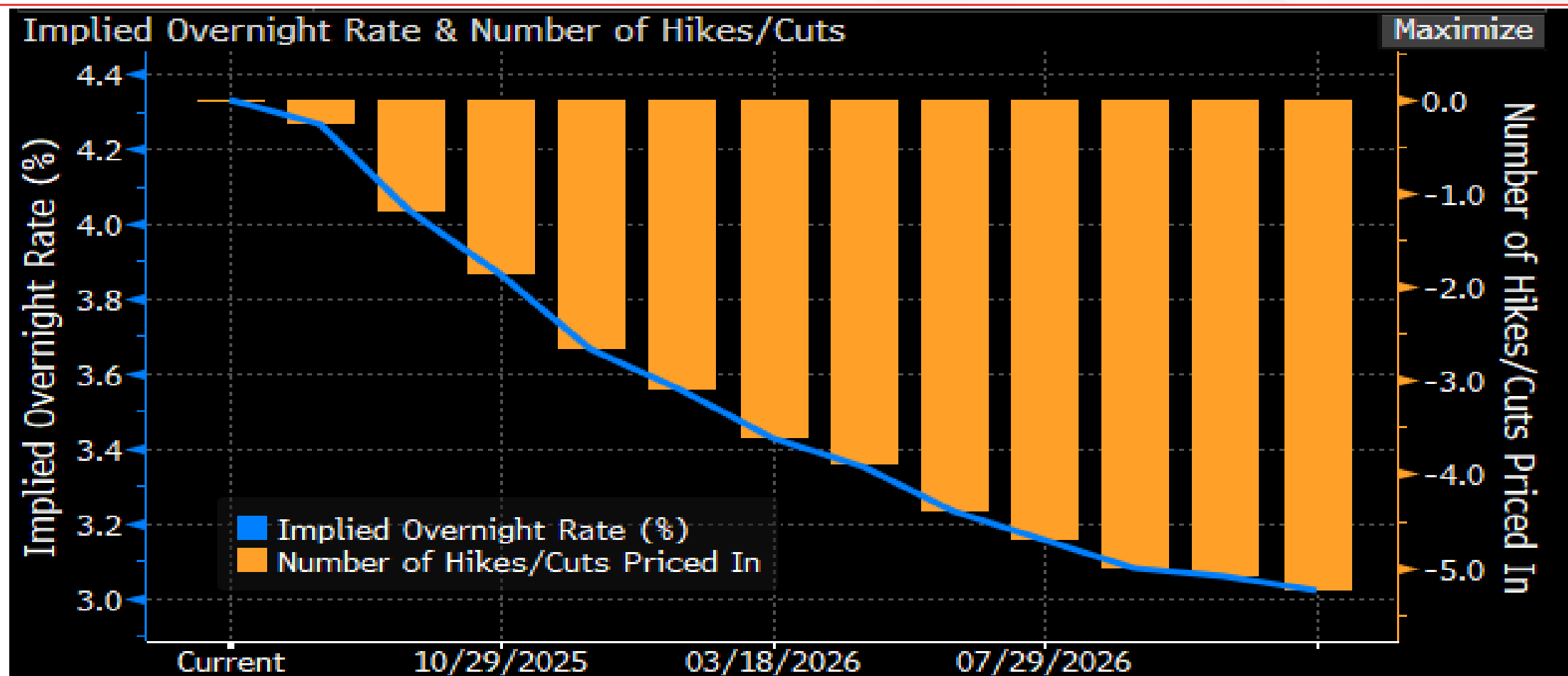


US Inflation Softens, Still Marginally Above Fed Target



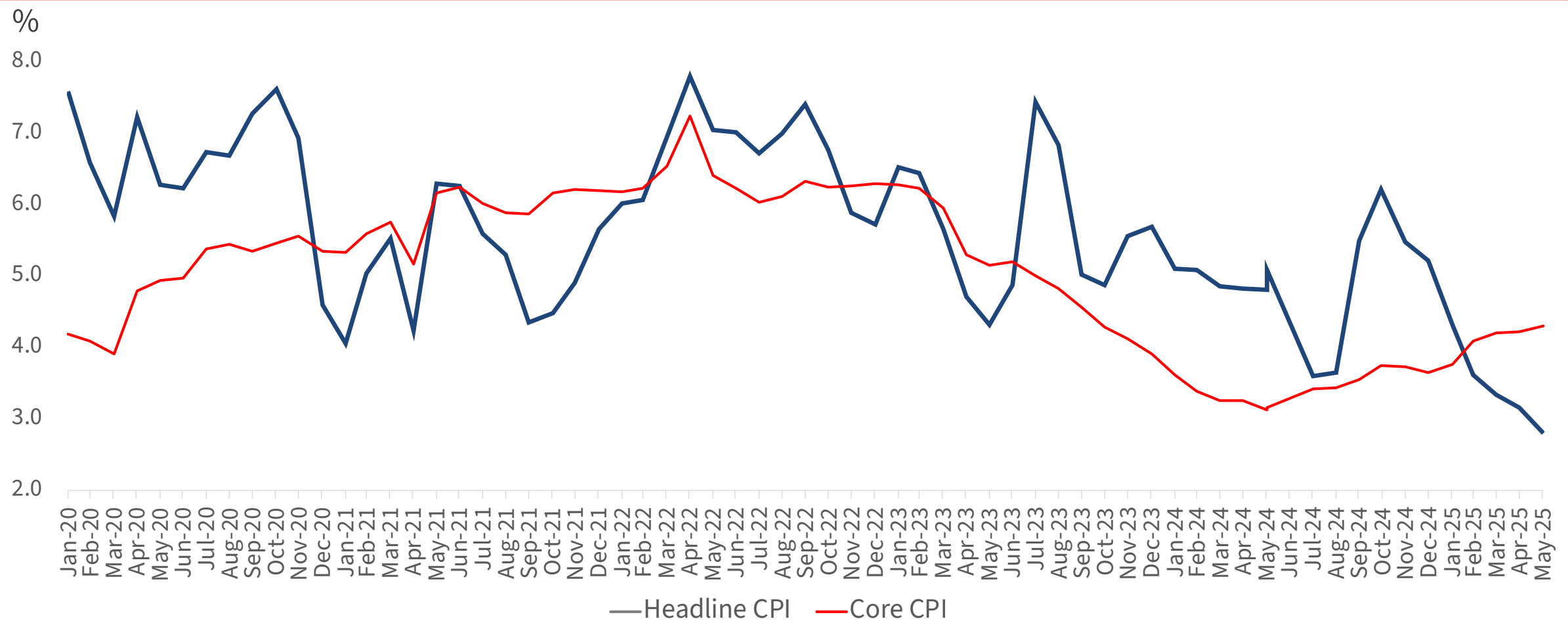
Source: Bloomberg, Data as on 31 May, 2025, as per latest data available

Fed Fund Futures Pricing In 2 Cuts Till CY2025



Source: Bloomberg | data as on 3 July, 2025

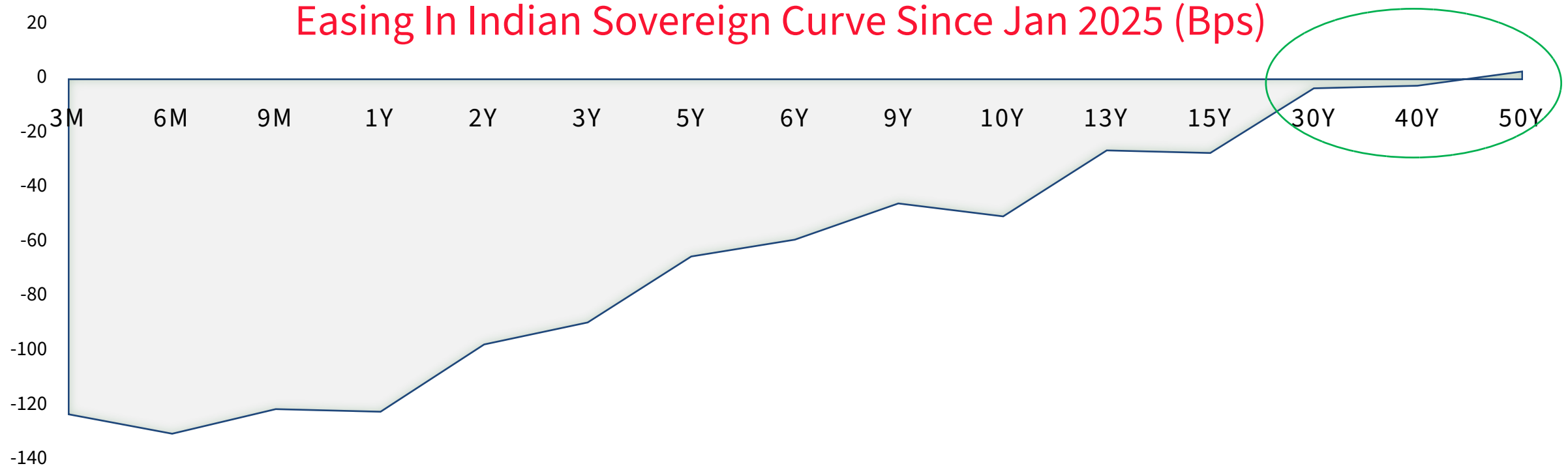
India's Inflation Within RBI Target



Source: MOSPI Press Release. Data as on 31 May, 2025, as per latest data available

Value Seen At The Longer End Of The Curve

Easing In Indian Sovereign Curve Since Jan 2025 (Bps)

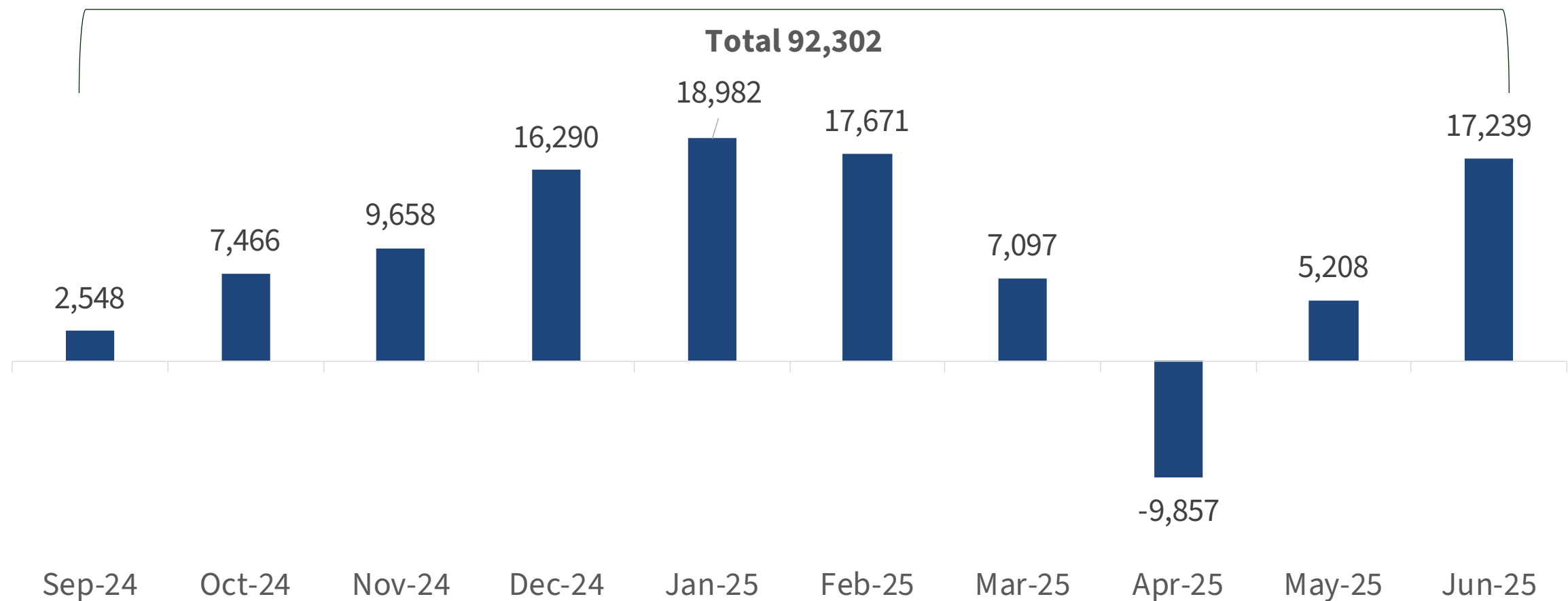


- Impact of the cut was limited to the shorter end of the curve; however, the longer end remained broadly unchanged.
- We remain in an easing cycle, and with inflation under control and growth moderating, the policy unlikely to reverse soon which market is pricing in the longer end hence we believe it has value.

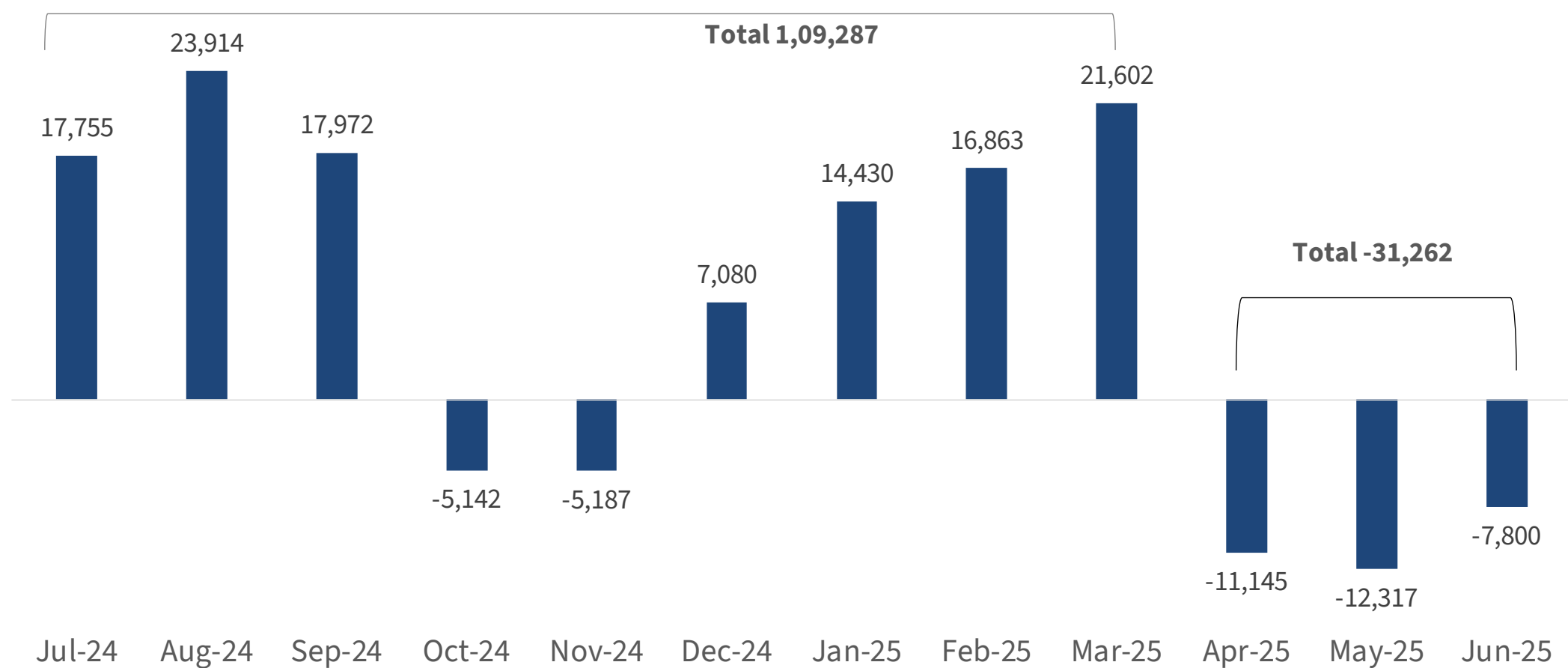
Source: Bloomberg | data as on June 24, 2025.

1 Year Of Bond Inclusion In J.P Morgan Index

Active Inflows



Passive Inflows



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