

Overview:

For the month ended July 2025, the Nifty 50 index was down by 2.93% over the previous month. The Nifty Midcap 100 index was down by 3.92%, while the Nifty Smallcap 100 index was down by 5.81%. Largecaps outperformed midcaps and smallcaps. Within sectors, pharma, Fast Moving Consumer Goods, and healthcare outperformed the broader market.

Sr No.	Index Name	Jul-25
		M-o-M Change
1	NIFTY 50	-2.93%
2	NIFTY Midcap 100	-3.92%
3	NIFTY Smallcap 100	-5.81%
4	NIFTY Auto	-0.91%
5	NIFTY Bank	-2.36%
6	NIFTY Financial Services	-1.93%
7	NIFTY FMCG	1.69%
8	NIFTY IT	-9.37%
9	NIFTY Media	-7.30%
10	NIFTY Metal	-2.62%
11	NIFTY Pharma	3.32%
12	NIFTY Private Bank	-4.14%
13	NIFTY PSU Bank	-4.88%
14	NIFTY Realty	-7.52%
15	NIFTY Consumer Durables	-0.46%
16	NIFTY Oil & Gas	-4.56%
17	NIFTY Healthcare Index	2.88%

Source: National Stock Exchange of India

Foreign funds (FIIs /FPIs) were net sellers in July 2025 at USD2.05bn and domestic institutions were net buyers at USD7bn. Foreign funds are net sellers at USD10.9bn for the calendar year up to July 31, 2025 whereas domestic institutional investors continued their steady participation, recording net inflows of USD48.5bn for the same period. The sustained domestic inflows into the Indian equity market is more than comfortably absorbing the foreign fund selling and indicates shift towards financial savings and investing into equities for long term wealth building.

Fig: Fund flows

(USD mn)	Curr	MTD	CYTD
FII - Cash	-19	-2,052	-10,930
DII - Cash	728	7,050	48,484
FII - Debt	6	-25	73

Source: Axis Capital

On the macroeconomic front, Goods and Services Tax (GST) revenue for July 2025 stood at INR1.96 trillion, up 7.5% YoY. With this, collections remained above INR1.8trillion for a seventh consecutive month. In April-July 2025, the collection has grown 10.7% YoY to INR8.18trillion. This indicates continued momentum in economic activity - domestic consumption, exports and imports.

India's manufacturing sector gained strong momentum in July 2025, with the HSBC India Manufacturing Purchasing Managers' Index (PMI) rising to a 16-month high of 59.1, up from 58.4 in June, according to data from S&P Global. The growth was primarily driven by a sharp surge in factory orders, the fastest in nearly five years, along with robust output expansion, particularly in intermediate goods.

Fig: India foreign exchange reserves



Source: RBI

After falling for three consecutive weeks India's foreign exchange reserves bounced back to USD698.2bn in the week ended June 25, 2025. India's foreign exchange reserves cover 95% of total external debt and can finance over 11 months of goods imports as of March 2025 as per Reserve Bank of India.

Inflation is easing in India, with CPI inflation at 2.10% (lowest since Jan 2019). The trade deficit reduced by 9.4%, which is sign of a strengthening economy. India's total exports touched an all-time high of USD824.9bn in FY2025. India's total exports in 2014-15 were USD468bn thus registering a strong growth of 76% in a decade. India's services exports have played a big role in this jump.

Fig: World Economic Outlook Update July 2025

(Real GDP, annual percent change)	PROJECTIONS		
	2024	2025	2026
World Output	3.3	3.0	3.1
Advanced Economies	1.8	1.5	1.6
United States	2.8	1.9	2.0
Euro Area	0.9	1.0	1.2
Germany	-0.2	0.1	0.9
France	1.1	0.6	1.0
Italy	0.7	0.5	0.8
Spain	3.2	2.5	1.8
Japan	0.2	0.7	0.5
United Kingdom	1.1	1.2	1.4
Canada	1.6	1.6	1.9
Other Advanced Economies	2.2	1.6	2.1
Emerging Market and Developing Economies	4.3	4.1	4.0
Emerging and Developing Asia	5.3	5.1	4.7
China	5.0	4.8	4.2
India	6.5	6.4	6.4
Emerging and Developing Europe	3.5	1.8	2.2
Russia	4.3	0.9	1.0
Latin America and the Caribbean	2.4	2.2	2.4
Brazil	3.4	2.3	2.1
Mexico	1.4	0.2	1.4
Middle East and Central Asia	2.4	3.4	3.5
Saudi Arabia	2.0	3.6	3.9
Sub-Saharan Africa	4.0	4.0	4.3
Nigeria	3.4	3.4	3.2
South Africa	0.5	1.0	1.3
Memorandum			
Emerging Market and Middle-Income Economies	4.3	4.0	3.9
Low-Income Developing Countries	4.0	4.4	5.0

Source: IMF

India's real GDP expanded by 6.5 per cent in 2024-25. The Reserve Bank of India also expects this pace to continue in FY2026. This growth is driven by strong domestic demand, a young and energetic population, and steady economic reforms. IMF in its recently released forecast expects India's economy to grow by 6.4% in 2025 and 6.4% in 2026 making it the fastest growing large economy in the world.

To understand growth in exports and consumption, we cite the example of electronics. Just a decade ago, India imported nearly 92% of mobile phones sold in the country (of which nearly 80% came from China). Today more than 98% of the mobile phones sold in the country are “Made in India.” Last year (FY2025), India exported mobile phones worth USD24bn (INR2.10trillion or INR2.10 lakh crore). Thanks largely to Apple, India’s total smartphone exports surged by 58%, reaching USD7.72bn in Q1FY2026, up from USD4.9bn in the same quarter last year. Apple alone accounted for nearly 78% of these exports. In FY2015, smartphone was ranked at 167 in the list of India’s exports. Today, they are on top of that list. Apple sold 3mn smartphones in India in April to June 2025 quarter, which is 5% of its global sales prompting the company to launch more stores in India. Today majority of the iPhones sold in the US market are “Made in India” as India has become the main hub of iPhone production.

Our view:

We had mentioned in our last month’s note, “Given the universal July 9, 2025 deadline for negotiating and finalising trade agreement with US closing in, we are cautious given the uncertainty around US tariffs, its impact on trade, corporate earnings and concomitant market volatility.” Well, July 9 and even the extension given till August 01, 2025 to negotiate and finalise trade agreement (with US) have passed. India-US Bilateral Trade Agreement (BTA) is yet to be finalised. In the interim, US Government has gone ahead and announced 25% tariff on India plus an undisclosed penalty for buying oil and defence equipment for Russia. India has been charged (by US) with financing Russia’s war against Ukraine due to these purchases.

Fig: Tariffs imposed by US on various countries

Country	Imports by the US in CY24 (US\$ bn)	Tariffs announced on Apr 02, 2025 (%)	Tariffs effective from Aug 01, 2025 (%)
EU	606	20	15
Mexico	506	25	30 (threatened)
China	439	34	30
Canada	412	25	35 (threatened)
Japan	148	24	15
Vietnam	137	46	20
South Korea	132	26	25
Taiwan	116	32	-*
India	87	26	25 + penalty
UK	68	10	10
Thailand	63	37	36
Malaysia	53	24	25
Brazil	42	10	50
Indonesia	28	32	19
Australia	17	10	-*
Bangladesh	8	37	35
Pakistan	5	29	-*

Source: US International Trade Commission

* No Tariff announcement made so far

Fig: Top 10 items exported by India to the US

No.	Description	2024 (US \$bn)
1	Electrical Machinery and Equipment	14.1
2	Pharmaceutical Products	12.5
3	Precious Metals, Pearls, Precious or Semiprecious Stones	11.6
4	Nuclear Reactors, Boilers, Machinery and Mechanical Appliances	6.8
5	Articles of Apparel and Clothing Accessories (knitted + not knitted)	4.7
6	Organic Chemicals	3.5
7	Mineral Fuels, Mineral Oils and Products of Their Distillation	3.0
8	Made-Up Textile Articles, Worn Clothing	2.9
9	Vehicles	2.7
10	Articles of Iron or Steel	2.6
	Total exports by India to the US	87.4

Source: US International Trade Commission

Fig: Top 10 items imported by India from the US

No.	Description	2024 (US \$bn)
1	Mineral Fuels, Mineral Oils and Products of Their Distillation	12.6
2	Precious Metals, Pearls, Precious or Semiprecious Stones	5.3
3	Nuclear Reactors, Boilers, Machinery And Mechanical Appliances	3.3
4	Aircraft, Spacecraft, and Parts Thereof	3.0
5	Electrical Machinery and Equipment	2.2
6	Medical or Surgical Instruments and Apparatus	2.0
7	Plastics and Articles Thereof	1.4
8	Edible Fruit and Nuts; Peel of Citrus Fruit or Melons	1.2
9	Organic Chemicals	1.1
10	Miscellaneous Chemical Products	1.0
	Total imports by India from the US	41.8

Source: US International Trade Commission

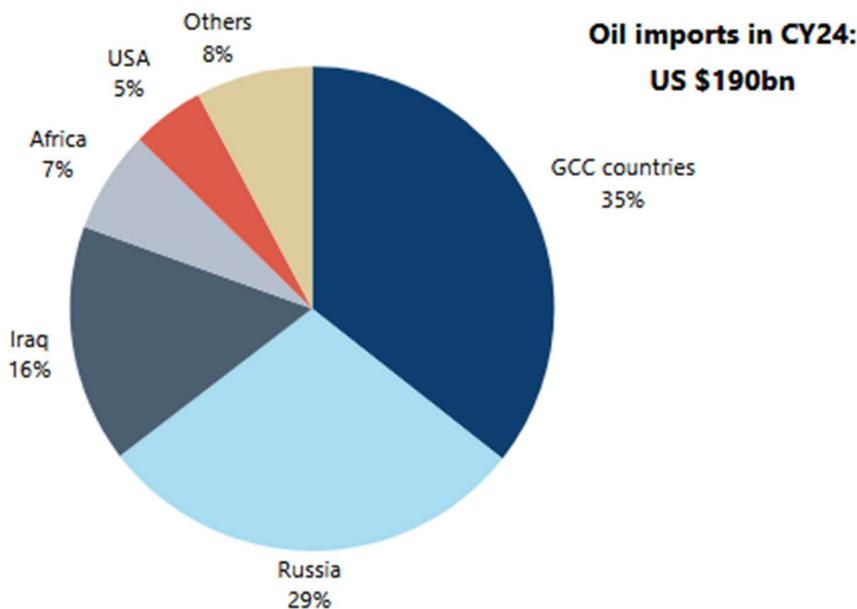
Despite multiple rounds of trade talks with the US to strike a deal, the no-go areas on agriculture and dairy imports have, it appears, proved tough to surmount so far. Next round of trade talks between talks are expected in second half of August 2025 when the negotiators from US arrive in New Delhi.

India has so far adopted a balanced, non-retaliatory posture. India’s annual bilateral trade with US is USD186bn, exports to US are ~USD85bn and India enjoys a trade surplus of USD44bn. GDP impact due to US tariff is estimated at of 25-40bps. We believe, foreign funds sentiment may continue to be stay weak as 'China +1' opportunity takes a hit (in the short term). An eventual trade deal and some of the above impact getting reversed is our base case.

India's goods exports to the US primarily include pharma, textiles/garments, gems and jewellery, auto components, electronics components (with Apple promising a big switch to India going forward) etc. Notably, tariffs against India’s competitors are also in the 20-50% range. A potentially large penalty on India though would become a challenge versus some competitors.

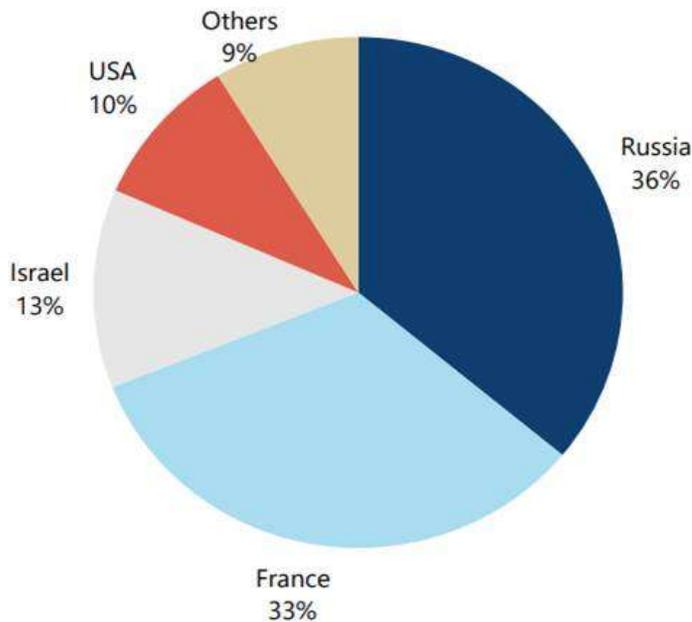
India is always willing to address US concerns regarding India’s USD44bn trade surplus through increasing its purchases of oil, gas and defence equipment from US. India’s oil imports from US are merely 5% and can easily be taken higher. Same for defence equipment.

Fig: India’s oil imports in CY2024 (USD190bn)



Source: Ministry of Commerce

Fig: India's arms imports



Source: SIPRI

We expect market to be volatile and look forward to the outcome of bilateral trade talks between India and US. Our portfolio reflects our focus on infrastructure, telecom, engineering, textiles, and capital goods. We maintain underweight on technology services, metals, energy, and real estate. We remain steadfast on our conviction picks in the portfolio.

We maintain that India's long term growth story, despite all the global uncertainties, is intact and corrections present an opportunity for long term investors.

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