Market Pulse – May 2025

Executive Summary

In May'25, the Indian equity market has shown resilience amid global volatility and domestic macroeconomic strength. The Nifty 50 has hovered around the 25,000+ mark with incremental growth, while the BSE Sensex has reached 82,500 points. Key sectors such as Realty, Auto, Banking, Energy, and Metal have led the charge, supported by strong domestic demand, policy support, and foreign investment inflows, while the FMCG and Pharma sectors faced a decline reflecting ongoing global uncertainties. The market exhibits bullish technical trends, but with some caution warranted due to approaching overbought conditions in major indices.

Global markets posted broad gains in May'25, with major indices across the US, Europe, and Asia advancing over the month. The rally was driven by a combination of easing inflation concerns, expectations of changes in monetary policy, and sector-specific optimism, particularly in technology and consumer sectors. Meanwhile, the ongoing tariff scenario remains uncertain but has improved slightly, as the US and China agreed to a 90-day suspension of their tariff war in May'25 followed by agree for trade negotiations; however, tariffs remain elevated (US tariffs on Chinese imports at 30% and Chinese tariffs on US imports at 10%), sustaining a climate of trade tension and contributing to volatility and weak demand in global commodity markets. Overall, risk appetite improved, and markets responded positively to both macroeconomic and company-specific developments.

Indian Market Update

Indices Performance	Spot	1M % Change	3M % Change	% YTD
BSE Sensex	81,186.4	0.8%	11.1%	3.4%
Nifty 50	24,683.9	1.4%	11.6%	4.0%
Nifty Bank	54,877.4	-0.4%	14.1%	7.5%
India VIX	17.4	-4.8%	26.3%	19.9%
NSE Midcap 100	56,182.7	4.6%	17.1%	-2.2%
Nifty 500	22,585.6	2.6%	13.5%	0.5%

Source: NSE & BSE

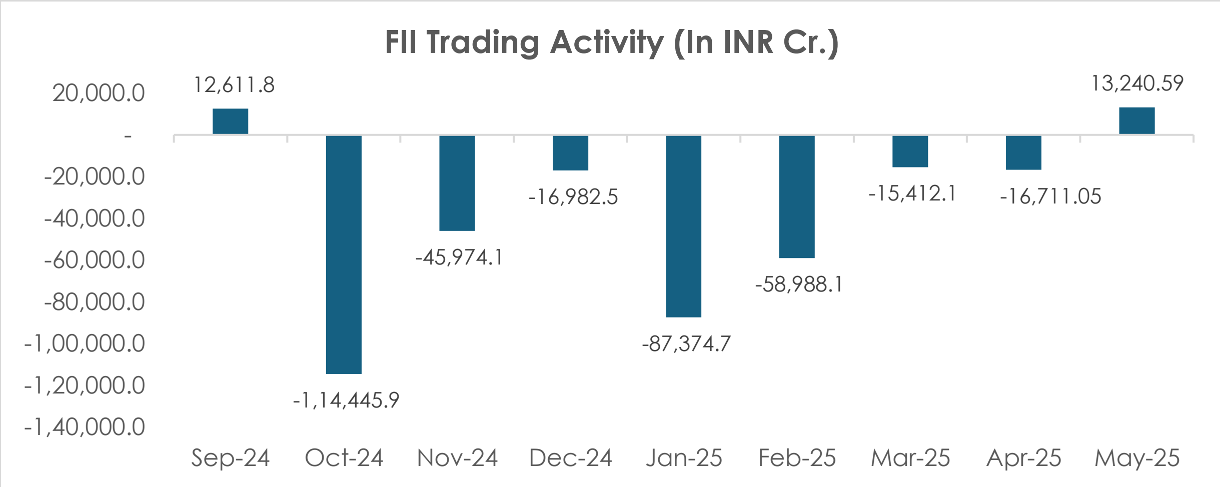
Market Performance Overview:

On monthly basis, Indian equity market saw modest gains in benchmark indices, with the BSE Sensex up 0.8% and Nifty 50 rising 1.4%. This short-term positive momentum was primarily driven by robust Q4 corporate earnings, improved domestic macroeconomic indicators, and easing global risks. The NSE Midcap 100 outperformed with a 4.6% gain, reflecting renewed investor interest in midcap stocks, while the Nifty 500 advanced 2.6%, indicating broad-based participation. However, the Nifty Bank index declined by 0.4%, largely due to profit booking and sector-specific concerns in banking.

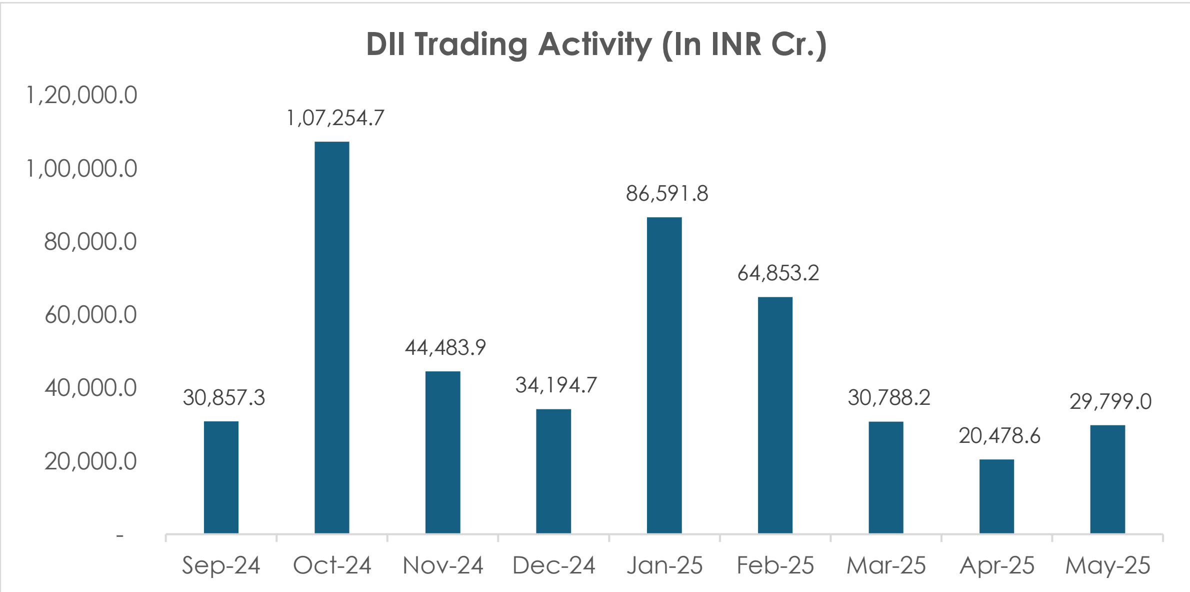
Over the last three months, the indices have posted strong gains, with the BSE Sensex and Nifty 50 up 11.1% and 11.6% respectively, and the Nifty Bank surging 14.1%. This performance is attributed to sustained foreign and domestic inflows, expectations of continued economic growth, and positive sentiment from favourable policy measures. The NSE Midcap 100 and Nifty 500 also climbed 17.1% and 13.5%, respectively, as investors rotated into broader market segments seeking higher returns.

YTD performance shows a more tempered picture, with the BSE Sensex up 3.4%, Nifty 50 gaining 4.0%, and Nifty Bank advancing 7.5%. While the market started the year on a strong note, gains have moderated due to intermittent global headwinds, such as geopolitical tensions and concerns over US interest rates, as well as domestic factors like high valuations and sector-specific corrections. The NSE Midcap 100 is down 2.2% YTD, indicating that midcap stocks faced significant corrections earlier in the year despite their recent recovery.

FIIs & DIIs Performance



Source: Money-control



Source: NSDL, Money-control

Foreign Institutional Investors (FIIs) trading activity in India from Sep’24 to May’25. It highlights significant volatility, with large outflows dominating most of the months. Notably, Oct’24 saw the highest outflow of INR 1,14,445.9 Cr., followed by substantial withdrawals in Jan’25 and Feb’25. This consistent selling pressure from Nov’24 through Apr’25 indicates a period of caution among foreign investors, likely influenced by global economic uncertainties, US elections and policy changes, and shifts in risk sentiment. Despite the prolonged outflows, there were positive inflows in May’25 (INR

13,240.59 Cr.), suggesting renewed investor confidence and attractive market valuations during these months.

On the other hand, DIIs have consistently recorded strong positive inflows, with particularly high investments in Oct'24 (INR 1,07,254.7 Cr.) and Jan'25 (INR 86,591.8 Cr.). These peaks suggest that DIIs were actively supporting the market, likely stepping in to absorb selling pressure from FIIs and taking advantage of attractive valuations during periods of heightened volatility.

The steady inflows from DIIs indicate robust confidence in the domestic market, even as global uncertainties and external factors that prompted FIIs to withdraw funds. DIIs, such as mutual funds, insurance companies, and pension funds, often act as stabilizing forces in the market, providing liquidity and cushioning against sharp declines. Their sustained buying activity during this period likely helped maintain market stability and investor sentiment despite external headwinds.

Market Volatility Indicator (India VIX)

India VIX, often called the "fear gauge" of Indian equities, measures the market's expected volatility over the next 30 days based on Nifty 50 index options. As of now, the India VIX spot value is 17.4. Over the past three months, the index has surged by 26.3% and is up 19.9% on YTD basis, reflecting a significant rise in market uncertainty and risk perception among investors. This increase is driven by factors like global economic uncertainties, geopolitical tensions, and major domestic events, which heighten expectations of sharp market swings.

Despite this longer-term uptick, the India VIX has decreased by 4.8% in this month, indicating a short-term easing of volatility and a slight calming of investor nerves. This recent decline suggests that, while overall caution remains elevated compared to the start of the year, some immediate concerns have subsided, leading to a more stable trading environment in the near term.

Sectoral Impact

Indices Performance	Spot	1M % Change	3M % Change	% YTD
IT	37,283.5	3.9%	-0.9%	-14.0%
Realty	922.8	4.7%	14.2%	-11.3%
Energy	35,435.2	3.8%	18.1%	0.0%
FMCG	56,206.3	-0.1%	10.7%	-1.4%
Oil & Gas	11,462.0	1.8%	20.5%	6.4%
Pharma	21,456.2	-0.8%	7.9%	-8.5%
PSU Bank	6,662.6	1.6%	18.3%	1.8%
Auto	23,531.2	5.6%	14.6%	1.7%
Media	1,648.8	8.4%	20.2%	-10.0%
Metal	9,156.1	7.5%	10.1%	6.0%
Consumer Durables	38,148.6	4.3%	9.7%	-9.4%

Source: NSE

- Over the past month, most sectors have shown positive momentum, showing a short-term recovery and renewed investor interest. Media led the pack with an impressive 8.4% gain, followed by Metal (7.5%), Realty (4.7%), and Consumer Durables (4.3%). These gains suggest that investors are rotating into sectors that may have been oversold previously and are expected to benefit from near-term catalysts such as improved earnings and favorable policy developments. Even traditionally defensive sectors like IT (3.9%) and Energy (3.8%) posted healthy returns, while FMCG and Pharma were the only sectors to record marginal declines, indicating some profit booking and lack of immediate triggers in these segments.
- The three-month performance highlights strong sectoral trends, with Oil & Gas (20.5%), Media (20.2%), and PSU Banks (18.3%) delivering standout returns. These gains can be attributed to sector-specific factors: Oil & Gas likely benefited from rising global energy prices, Media from increased advertising revenues and content launches, and PSU Banks from improved asset quality and government support. Energy (18.1%), Realty (14.2%), and Auto (14.6%) also performed well, reflecting robust demand and positive sentiment. In contrast, IT (-0.9%) showed relatively muted performance, possibly due to global tech headwinds.
- On a YTD basis, the sectoral landscape is more mixed, with several sectors still in negative territory despite recent recoveries. IT (-14.0%), Realty (-11.3%),

Media (-10.0%), Pharma (-8.5%), and Consumer Durables (-9.4%) have all faced significant challenges, likely due to global economic uncertainties, weak consumer sentiment, and sector-specific headwinds such as regulatory changes and margin pressures. On the other hand, Metals (6.0%) and PSU Banks (1.8%) have managed positive returns, buoyed by strong commodity prices and improving fundamentals in the banking sector. Energy has remained flat (0.0%), reflecting a balance between positive and negative forces in the sector. This divergence underscores that, while short-term sentiment has improved, broader market caution persists, with investors selective about sectoral exposure in 2025.

Earnings Update (YoY & QoQ Performance)

Q4FY25 vs Q4FY24 (YoY Growth %)			
Sectors	**Revenue**	**EBITDA**	**PAT**
IT	5.4%	6.0%	1.3%
Realty	14.1%	3.4%	3.7%
Energy	8.1%	7.3%	12.4%
FMCG	7.3%	4.8%	74.4%
Oil & Gas	-0.1%	15.8%	31.1%
Pharma	14.3%	18.6%	34.3%
Defence	-0.2%	1.0%	2.0%
PSU Bank	10.0%	11.6%	7.7%
Auto	5.9%	5.7%	-25.1%
Media	-58.1%	-662.5%	-14.6%
Metal	4.1%	16.3%	48.6%
Consumer Durables	-5.8%	20.7%	25.1%
Conglomerate	9.7%	10.0%	32.2%

Q4FY25 vs Q3FY25 (QoQ Growth %)			
Sectors	**Revenue**	**EBITDA**	**PAT**
IT	0.2%	-1.4%	0.5%
Realty	29.8%	10.5%	7.4%
Energy	8.3%	5.3%	10.7%
FMCG	4.1%	6.1%	-3.8%
Oil & Gas	0.5%	64.0%	63.0%
Pharma	-0.2%	-9.2%	-3.7%
Defence	81.0%	142.7%	123.0%
PSU Bank	1.7%	1.7%	6.6%
Auto	4.8%	16.3%	26.2%
Media	-39.3%	-62.2%	-94.4%
Metal	5.1%	5.5%	0.2%
Consumer Durables	-20.4%	25.3%	40.0%
Conglomerate	10.1%	4.5%	21.8%

Source: NSE & BSE

- On a YoY basis, the IT sector showed steady growth in revenue (5.4%) and EBITDA (6.0%), but PAT growth was muted at 1.3%. On a QoQ basis, the sector was almost flat, with negligible revenue growth (0.2%) and slight declines in EBITDA and PAT. This indicates stable but slow progress, with continued pressure on margins.
- The realty sector posted strong YoY growth in revenue (14.1%), with modest gains in EBITDA and PAT. The QoQ numbers are even more impressive, with

revenue up 29.8%. This suggests robust demand and successful project executions in the recent quarter.

- Energy sector saw healthy YoY growth in revenue (8.1%) and PAT (12.4%). Sequentially, the sector also performed well, with revenue up 8.3% and PAT up 10.7%. This reflects consistent demand and effective cost management.
- FMCG companies delivered moderate YoY revenue growth (7.4%) but saw a significant jump in EBITDA (74.4%) and PAT (47.4%), likely from cost efficiencies. QoQ, the sector maintained steady growth, showing resilience and strong profitability.
- Despite flat YoY revenue (-0.1%), Oil & Gas saw a sharp rise in EBITDA (15.8%) and PAT (31.1%). QoQ, profitability surged even more, with EBITDA and PAT up over 60%. This points to major improvements in margins and operational efficiency.
- Pharma posted robust YoY growth in revenue (14.3%) and PAT (34.3%). However, sequentially, the sector struggled, with minor declines in all metrics, suggesting some recent headwinds after a strong year.
- The defence sector grew solidly YoY, with revenue up 10.2% and PAT up 7.7%. QoQ, EBITDA saw a huge jump (81.1%), indicating strong order execution and operational leverage in the latest quarter.
- PSU banks recorded stable YoY growth in revenue (10.0%) and PAT (7.7%). Sequentially, the sector maintained its momentum, reflecting improved asset quality and steady credit growth.
- Auto sector revenue grew YoY (5.9%), but PAT declined sharply (-25.1%), hinting at margin pressures. However, QoQ, the sector rebounded in profitability, with PAT up 37.0%, possibly due to easing supply chain issues.
- Media struggled both YoY and QoQ, with steep declines in revenue and profits. This sector continues to face structural challenges and weak advertising demand.
- Metals showed moderate YoY revenue growth (4.1%) but strong gains in EBITDA (16.3%) and PAT (8.6%). QoQ, the sector continued to improve, reflecting better pricing and cost controls.
- Consumer Durables saw a YoY revenue decline (-5.8%) but strong growth in EBITDA (20.7%) and PAT (15.9%). QoQ, revenue dropped sharply (-20.4%), but profitability improved, indicating effective cost management.

- Conglomerates posted healthy growth across all metrics both YoY and QoQ, benefiting from diversified operations and strong performance in multiple business segments

Commodity Performance

Commodity	Spot	1M % Change	3M % Change	% YTD
Gold (US$/OZ)	3,294.0	1.6%	13.5%	23.4%
Silver (US$/OZ)	33.3	0.1%	3.0%	11.3%
Brent (US$/Bbl)	65.3	6.5%	-8.9%	-14.0%
WTI (US$/Bbl)	63.0	8.1%	-7.8%	-13.1%
Copper (US$/Lbs)	4.7	0.2%	1.7%	17.0%

Source: Investing.com, Money-control

The commodity market presents a mixed bag of performance across key assets, with precious metals generally outperforming energy commodities and industrial metals over various timeframes.

Gold: Gold continues its upward trajectory, currently trading at US$ 3,294.0 per ounce. Its performance is particularly noteworthy, boasting a 1.6% gain over the last month, a notable 13.5% increase over three months, and an impressive YTD surge of 23.4%. This strong growth showing suggests continued safe-haven demand and inflationary concerns driving investor interest in the yellow metal. Further, Gold has been also driven by developments in the Middle East, US and China-related activities, India and Pakistan tensions stabilizing, and event of Akshaya Tritiya.

Silver: Silver also demonstrates positive momentum, priced at US$ 33.3 per ounce, it has seen a modest 0.1% increase in the last month, a 3.0% rise over three months, and an 11.3% YTD gain. This indicates a general bullish sentiment within the precious metals sector.

Energy: Energy commodities, despite recent MoM uptick, is struggling to recover from broader declines. The reasons for the oil volatility are due to potential setbacks in U.S.-Iran nuclear talks, Concerns about a U.S. sovereign downgrade and decelerating industrial output growth and economic growth in China, a major oil importer, are also weighing on prices, creating near-term volatility.

Brent Crude & WTI Crude: Brent Crude is currently at US$ 65.3 per barrel, showing a marked increase of 6.5% over the last month. However, this recent rebound doesn't offset its longer-term struggles (Oil & Gas ongoing concerns), with a 8.9% drop over three months and a 14.0% decline YTD.

Similarly, WTI crude, trading at US$ 63.0 per barrel, has seen an even more pronounced 8.1% surge in the last month. Despite this recent upward movement, it remains down 7.8% over three months and 13.1% YTD. The recent monthly gains for both Brent and WTI could be attributed to increased demand. Overall trend over the past quarter and year suggests ongoing pressures on oil prices.

Copper: It demonstrates consistent positive performance. At US$ 4.7/Lbs, it has seen a marginal 0.2% increase over the past month and a steady 1.7% gain over three months. Its YTD performance is particularly strong, up 17.0%, highlighting healthy demand and slight optimistic sentiment within industrial sector.

Indian Bond and US Bond

Indian Bonds	May-24	May-25	YoY (%)	Jan-25	YTD (%)
India 10Y	6.98	6.22	-10.9%	6.81	-8.7%
India 2Y	6.99	5.84	-16.5%	6.78	-13.9%
US Bonds	**May-24**	**May-25**	**YoY (%)**	**Jan-25**	**YTD (%)**
US 10Y Treasury Bond	4.50	4.52	0.3%	4.76	-5.1%
US 2Y Treasury Bond	4.87	3.98	-18.3%	4.24	-6.1%

Source: Investing.com, Trading-economics

In May'25, the Indian bond market strengthened as the 10Y bond yield declined to around 6.22% in May'25 from 6.98% in May'24, marking its lowest level in over three years. This rally was driven by the RBI's accommodative stance, including continuous repo rate cuts and a substantial liquidity infusion of INR 1.25 lakh crore, which supported lower yields and improved market sentiment. Additionally, ease in geopolitical tensions with Pakistan has helped lower regional risk, further supporting investor sentiment. Although FPIs flows remained cautious amid global uncertainties, the outlook turned more positive with renewed interest as the rupee stabilized and Indian bonds gained inclusion in global indices.

US bond has remained comparatively moderate where 10Y bond experienced a slight upward tick by 0.3% and 2Y yield experiencing significant decline by 18.3%. This was driven by persistent concerns over the U.S. fiscal outlook and shifting expectations of Federal Reserve policy. Markets are now anticipating rate cuts and a more accommodative stance in response to softer inflation data and signs of slowing economic growth. As a result, investors expect short-term interest rates to be lower, which can be reflected in the decline of the 2-year yield. Additionally, increased demand for shorter-term treasuries as a safe haven amid ongoing economic uncertainties has also contributed to the downward movement in yields.

Global Market Update

Index	Spot	1M % Change	3M % Change	% YTD
Dow Jones	42,677.24	3.3%	-1.2%	0.7%
S&P 500	5,909.3	3.7%	1.7%	0.7%
Nasdaq	21,367.4	6.3%	4.6%	10.8%
CAC 40	7,878.6	2.6%	-2.6%	6.6%
DAX	24,026.1	4.1%	3.8%	20.0%
FTSE 100	8,698.1	2.4%	-1.3%	5.3%
Nikkei 225	37,616.5	2.1%	-0.4%	-4.3%
Hang Seng	23,357.0	5.9%	2.2%	19.0%
Shanghai	3,380.5	1.9%	1.9%	3.6%

Source: Investing.com, Trading-economics

Global equity markets have shown mixed performance over the recent months, as reflected in the major indices. On MoM basis, most indices have posted positive gains, with the Nasdaq leading the way at 6.3%, followed by the Hang Seng at 5.9% and the DAX at 4.1%. This short-term rally can be attributed to renewed investor optimism, possibly driven by strong corporate earnings, easing inflation concerns, and expectations of supportive central bank policies in key markets like the US and Europe.

However, the three-month change paints a more nuanced picture. While indices like the Nasdaq (+4.6%), DAX (+3.8%), and Hang Seng (+2.2%) have maintained upward momentum, others such as the CAC 40 (-2.6%), FTSE 100 (-1.3%), and Nikkei 225 (-0.4%) have experienced declines, indicating regional differences in economic outlook and market sentiment. The Dow Jones also saw a slight dip over three months (-1.2%), suggesting some profit booking and rotation out of blue-chip stocks.

On YTD basis, the DAX stands out with a remarkable 20% gain, reflecting strong economic recovery and robust performance from German corporates. The Nasdaq has also performed well YTD (+10.8%), benefiting from continued strength in technology stocks. In contrast, the Nikkei 225 is down by 4.3% YTD, likely due to profit-taking after last year's strong rally and concerns over Japan's economic growth. Other indices like the CAC 40 (+6.6%), FTSE 100 (+5.3%), and Shanghai (+3.6%) have posted moderate gains, while the S&P 500 and Dow Jones have been relatively flat, indicating a cautious stance among investors amid global uncertainties.

Company-specific developments/news:

- Larsen & Toubro (L&T) secured large contracts for its Buildings & Factories business from various state and central government agencies in May'25. The company did not disclose the exact value but classifies "large" as between INR 2,500 Cr. and INR 5,000 Cr.
- Mazagon Dock's order book stands at INR 348 Bn, with potential to rise sharply if it secures upcoming Indian Navy submarine and frigate orders. The company is also bidding for the INR 600 Bn P751 submarine program and other large naval contracts.
- Cochin Shipyard's order book is INR 225 Bn, with significant export and domestic contracts, including projects for Bangladesh and German clients. The company is bidding for next-generation corvette orders and expanding capacity to meet demand.
- Bajaj Group acquired a 26% stake in Bajaj Allianz General and Life Insurance for US$ 2.7 Bn, marking a major domestic consolidation in insurance.
- SMBC, is a unit of Sumitomo Mitsui Financial Group and is Japan's second-biggest bank said it had signed a definitive agreement to take a 20% stake in Mumbai-based Yes Bank, a deal that marks the largest cross-border merger and acquisition deal in India's financial sector.

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