# Monthly Update

February 2025



## 1-Market Highlights:

Weighed down by global uncertainty, weak corporate earnings, and an uncertain domestic outlook, Indian markets continued to correct with the fifth consecutive months of negative returns, the longest streak since July 2002. FPI outflows continued in the new year, hitting US$24bn (Rs 2 lakh crore) since October 2024. In line, DIIs remained buyers for the 19th consecutive month, adding Rs 3.2 lakh crore over the same period. The benchmark Nifty 50's 0.6% drop in January and a 5.9% drop in February now add up to a 18.8% decline from the late-September peak. Cautious sentiments hit small- and mid-caps harder. The INR has dropped 4% since September, and FX intervention by the central bank has kept liquidity conditions tight. On the macro front, the month gone by saw two major events. The Union Budget FY26 posed a fine balance between supporting consumption with a tax-break for the salaried class and maintaining focus on capital expenditure (+10%), even as the fiscal deficit was set to 4.4% of GDP. Such prudence allowed the central bank with to look beyond the recent inflation trajectory, and MPC unanimously voted for a 25bps cut in the repo rate to 6.25%, the first since May 2020.

**Market performance (%)**

| INDEX | 1M | 3M | 1Y | FY25 |
|---|---|---|---|---|
| NIFTY 50 | -5.9% | -8.3% | 0.7% | -0.9% |
| SENSEX 30 | -5.6% | -8.3% | 1.0% | -0.6% |
| NIFTY MIDCAP 150 | -10.6% | -15.1% | -0.5% | -0.1% |
| NIFTY SMALLCAP 250 | -12.7% | -21.9% | -7.5% | -3.4% |

Source: NSE As of 28th February 2025

- **FII/DII Activity**

Overseas investors continued their selling spree as they sold ~₹4 lakh crore worth of stocks in the last year.

| INR cr.* | 1M | 3M | 6M | 1Y |
|---|---|---|---|---|
| FII | -58,988 | -1,63,345 | -3,11,153 | -3,98,639 |
| DII | 64,853 | 1,85,640 | 3,68,236 | 6,26,761 |

Source: NSE *FII Cash As of 28th February 2025

- **Global Market**

Global markets started out in 2025 on a reasonable note, on the back of Mr. Trump taking charge and multiple pro-US policy measures, until the announcement of the Chinese 'DeepSeek-R1' LLM put a spanner in the works; Nvidia lost nearly US$600bn in market cap. The MSCI World index is up 3.5%, helped by a resurgent Europe. Global debt signals were mixed with US and UK yields easing on softer inflation prints, while Europe (fiscal expansion expectation) and Japan (higher inflation) saw rising yields.

| INDEX | 1M | 3M | 6M | 1Y |
|---|---|---|---|---|
| DOW JONES | -1.6% | -2.4% | 5.5% | 12.4% |
| FTSE | 1.6% | 6.3% | 5.2% | 15.5% |
| HANG SENG | 13.4% | 18.1% | 27.5% | 38.9% |
| DAX | 3.8% | 14.9% | 19.3% | 27.6% |
| NASDAQ | -4.0% | -1.9% | 6.4% | 17.1% |

Source: Investing.com As of 28th February 2025

- **Sectoral Performance**

With the government focus on consumption and growth, investments in infrastructure and manufacturing are likely to persist. Further manufacturing development, especially for higher-value-added products like solar panels and electric vehicles, should keep employment high, lift the average wage level, and allow for higher consumption, which is ultimately needed to advance GDP per capita. Some select bottom-up consumption segments also look attractive compared to other sectors backed by higher government spending across sectors such as infrastructure and housing. The table shows the top 3 and bottom 3 sector performances in February 2025:

| TOP 3 (%) | 1M | 3M | 6M | 1Y |
|---|---|---|---|---|
| S&P BSE Metal | 1.7% | -7.7% | -13.8% | 4.2% |
| S&P BSE Bank | -1.2% | -7.2% | -5.7% | 4.6% |
| S&P BSE Healthcare | -5.1% | -10.7% | -8.7% | 8.9% |

| BOTTOM 3 (%) | 1M | 3M | 6M | 1Y |
|---|---|---|---|---|
| S&P BSE IT | -10.5% | -14.0 % | -15.1% | -4.5% |
| S&P BSE Industrials | -10.1% | -23.4% | -27.1% | -5.1% |
| S&P BSE Infra | -8.6% | -19.5% | -30.8% | -10.9% |

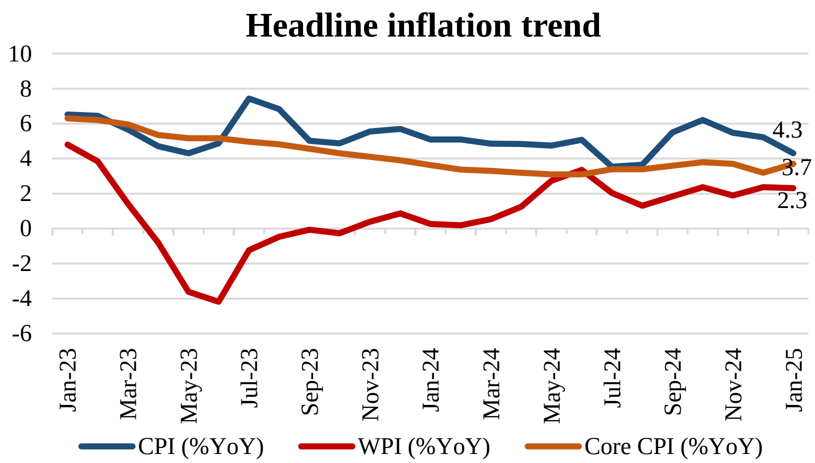
Source: BSE As of 28th February 2025

- **Important Events**

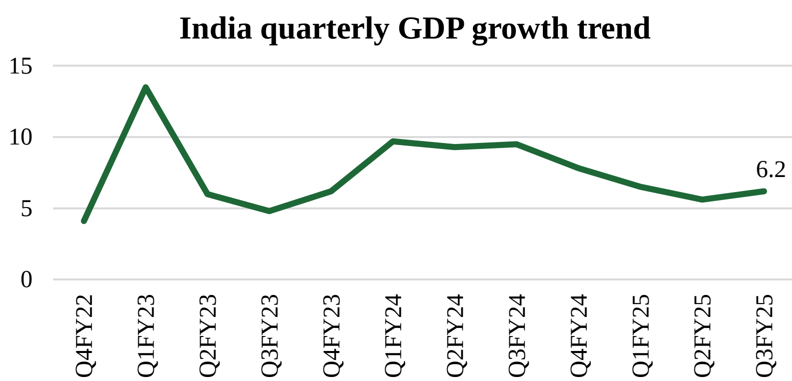
1- In line with expectations, the RBI's MPC, under the new Governor and a new internal member, unanimously decided to reduce the policy rates by 25bps to 6.25% and retain the policy stance at 'neutral', marking the first unanimous resolution in the last 12 months. Notably, this is the first-rate action since February 2023, and the first cut in nearly five years (Last cut in May 2020). The MPC's policy announcements have been calibrated and gradual, beginning with a shift in stance to a 'neutral' in October, followed by liquidity infusion through a 50bps CRR cut in December, additional support via OMO purchases, forex buy/sell swaps, and longer-duration VRRs in late January and a rate cut in Feb. Notwithstanding an expected growth recovery in the second half, emerging signs of growth moderation in high-frequency indicators, along with sustained softening of headline inflation toward the 4% target, created room for the current rate cut. Growth forecast for FY26 is pegged at 6.7%. Inflation, on the other hand, is projected to decline from an estimated 4.8% in FY25 to 4.2% in FY26, aided by softening food inflation.

2- Headline retail and wholesale inflation eased to a five-month and four-month low of 4.3% and 2.3% in January 2025, respectively, supported by a decline in food inflation amidst better mandi arrivals and seasonal winter price correction and a favorable base effect. In case of retail inflation, vegetable inflation softened to a five-month low of 11.4% in January. That said, inflation in fruits (123-month high) and edible oils (33-month high) partially capped the downside. Core inflation remained steady at 3.7% YoY in Jan'25, barring the double-digit inflation in personal care & effects segment, driven by elevated gold and silver prices. In case of wholesale price inflation, the uptick in the manufactured components' inflation to a two-year high of 2.5% YoY was more than offset by cooling wholesale food inflation and sustained deflation in fuel components.

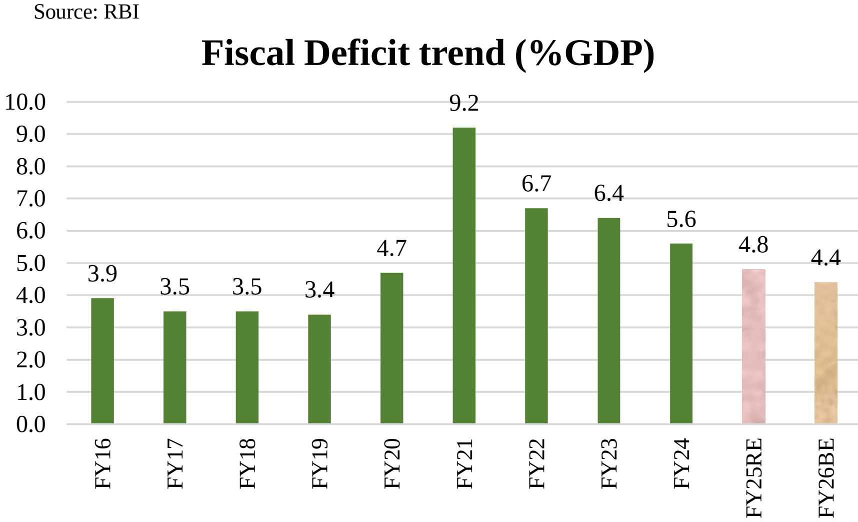
## 2- Economic Developments:




Source: Mospi




Source: RBI




Source: Mospi, RE= Revised Estimates, BE= Budget Estimates

a) India's merchandise exports declined by 2.4% YoY to US$36.4 bn in January, primarily due to a sharp 58.7% YoY decline in petroleum product exports to US$3.6 bn—the lowest in nearly four years. In contrast, merchandise imports surged by 10.3% YoY to US$59.4 bn, driven by 18.8% YoY increase in non-oil, non-gold imports. That said, contraction in oil imports to a four- month low of US$13.4 bn capped the growth in imports. The combination of higher merchandise imports and lower exports resulted in a widening trade deficit to US$23 bn in January 2025, up from US$16.6 bn in January 2024 aided by weak petroleum exports amidst lower price realization and subdued global demand coupled with robust and broad-based import demand. India's service exports witnessed strong growth, rising by 24.3% YoY and 4.6% MoM to US$38.6 bn in January 2025. Notably, this was the highest monthly service export figure and has surpassed merchandise exports for the first time since April 2011.

b) India's GDP growth expectedly improved to 6.2% YoY in Q3FY25 from 5.6% in Q2 (revised up from 5.4%), driven by robust private and Government consumption as well as resilient exports performance. This is corroborated with an improvement in corporate profitability in the third quarter. Private consumption growth accelerated to 6.9%, supported by continued improvement in rural demand on the back of strong kharif output and rabi prospects. Government consumption growth improved to a five-quarter high of 8.3%, partly offset by moderation in investment growth to seven-quarter lows. This was despite a pick-up in Government capex in the third quarter, reflecting muted private capex and slowdown in household investment in real estate. On the supply side, Gross Value Added (GVA) growth stood at 6.2%, aided by a broad-based recovery across agriculture, industry, and services.

## 3-Market Outlook:

1. Equity markets have seen a reasonable correction in the last few months. The domestic markets have seen a much larger correction in terms of intensity in a shorter period of time and facing significant influences from a combination of global and

domestic economic events. The ongoing trade policy changes with tariff hikes post Donald Trump taking over as US President are contributing to market volatility. Over medium-term, equity markets should reflect the growth in earnings of corporate India. Escalation in geopolitical tensions, and consequent surge in commodity price volatility, coupled with weather-related disruptions, pose key downside risks.

2. Moreover, the current market setback provides an opportunity for investors to embrace the long-term growth story and offer an opportunity to add selective stock ideas. We expect the growth momentum to improve in 2025, as government spending picks up again and consumer sentiment stays resilient. This should enable better earnings growth, amid an improving economic backdrop that may also find support from favorable monetary and fiscal policies.

## 4-Our Portfolio Management Services:

**Strategy 1: DREAM**

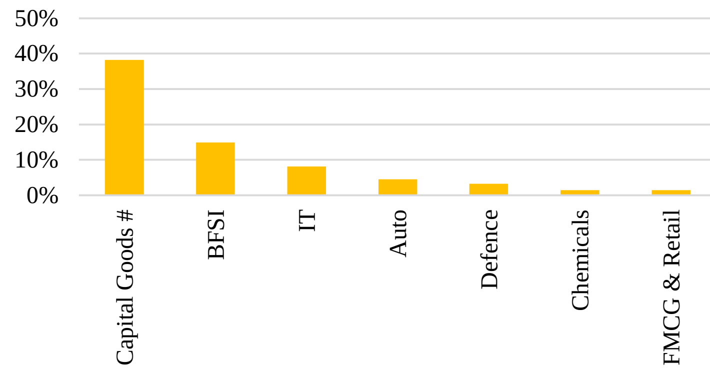
- Investments in equities cash segment with a mix of stable and growth-oriented companies having strong fundamentals.
- Our Multi-cap strategy rests on two pillars- Steady picks for large cap for resilience, stability, and long-term wealth and Growth for Small & Mid-caps for capturing new opportunities & potential multi-baggers.
- In order to minimize concentration risks, we believe in sector diversification.
- We make dedicated efforts to find attractively valued firms with sustainable business models to capture new and dynamic opportunities.

**Performance as on 28th February 2025:**

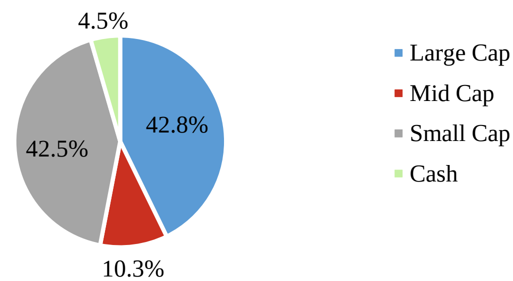
| | 1Y | 2Y | 3Y | 4Y | Since inception (CAGR) |
|---|---|---|---|---|---|
| HEM PMS | **0.30%** | **24.87%** | **16.98%** | **18.99%** | **22.29%** |
| S&P BSE 500 | **-1.51%** | **16.42%** | **11.23%** | **12.74%** | **16.21%** |

Inception date: 4th March, 2020. Returns presented are not verified by SEBI

### Sectoral Mix




### Market Capital Diversification




**Our Top 10 Holdings in DREAM**

| | |
|---|---|
| ICICI Bank Ltd. | Mahindra & Mahindra Ltd. |
| Bharat Electronics Ltd. | KEI Industries Ltd. |
| Hindustan Aeronautics Ltd. | Agarwal Industrial Corporation Ltd. |
| PG Electroplast Ltd. | Gravita India Ltd. |
| InterGlobe Aviation Ltd. | ITD Cementation India Ltd. |

**Strategy 2: IRSS**

1- Niche SME & Small Cap based PMS launched in February 2022.

2- We came No. 1 in India according to PMS Bazaar in June 2024.

3- Exclusive selection of potential multi baggers from SME & Small cap space.

4- It is a high risk & high return strategy and therefore suitable for investors having high risk appetite

**Performance as on 28th February 2025:**

| | 1Y | 2Y | 3Y | Since inception (CAGR) |
|---|---|---|---|---|
| HEM IRSS | **-0.05%** | **25.34%** | **31.32%** | **29.00%** |
| S&P BSE 500 | **-1.51%** | **16.42%** | **11.23%** | **9.89%** |

Inception Date: 18th Feb 2022.Returns presented are not verified by SEBI. Please read Disclaimer and T&C before investing.

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#Capital Goods Includes Railways, Constructions, Logistics and EMS

*The data presented are indicative in nature and can change without prior notice.

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**Disclosure document link**: - https://pms.hemsecurities.com/doc/Disclosure%20Document%20-%20HSL%20PMS.pdf