ClickToInvest Monthly Market Insights

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July 2025

International Economy

International Economy – July 2025

Global markets were volatile in July as trade-policy uncertainty and mixed economic data kept investors cautious. The U.S. outlook remained sensitive to inflation prints and the timing of Fed rate cuts, while elevated tariff rhetoric from developed markets weighed on risk appetite for emerging-market exports.

The eurozone's headline inflation remained steady at **2.0%**, with core inflation unchanged at **2.3%**, supporting the bank's data-dependent approach to monetary policy. China's stimulus push (infrastructure and consumption support) continued, but with limited immediate lift to global cyclical demand.

In Japan, core inflation slowed slightly to **2.9%** YoY in July but stayed well above the Bank of Japan's 2% target, while core-core inflation (excluding food and energy) remained at **3.1%.**

Domestic Economy

Inflation: Retail inflation for July is estimated to have fallen sharply, declining to around 1.76% YoY in July 2025, driven by soft food prices after a strong spring harvest. This marked a multi-year low and gave the RBI more room on the inflation front.

IIP: The quick estimate for IIP (June 2025) showed modest improvement of +1.5% YoY in June (up from May's quick estimate), with manufacturing contributing~ 3.9% to the improvement.

MPC Stance: The policy repo rate remained unchanged at 5.50% and signalled a neutral stance while watching the spillovers from global trade risks and the disinflation path. Markets continue to price the possibility of gradual easing later in the year if inflation remains subdued.

Trade/GST: Exports and GST collections remained relatively resilient through July. A steep 50% tariff on Indian imports could severely impact India's manufacturing and slow economic growth. India's real GDP growth may slow by ~ 0.3% from its current forecast of 6.3% for FY ending March 2026.

Future Market Outlook

The near-term outlook is **constructive but cautious**. Domestically, lower inflation and steady growth fundamentals support consumption and credit growth; fiscal capex and policy focus on manufacturing remain positive structural tailwinds. However, heightened global trade policy shocks and shifts in global liquidity are likely to keep Foreign Portfolio Investor (FPI) flows volatile and could put pressure on cyclical sectors tied to export demand.

Stock Market Update

As of July 31, 2025, the Indian stock markets concluded the month marginally high:

o BSE Sensex closed July around **81,185.58,** losing **-3%** for the month.

o NSE Nifty 50 finished the month near **24,768.35,** marking a loss of **-3.5%** in July.

Foreign Portfolio Investors (FPIs) turned net sellers in July with net equity outflows of ~₹17,741 crore in July, reflecting a rush to de-risk amid US tariff headlines and global policy uncertainty. This reversal in July erased earlier months' buying and was the key flow story for the month.

Domestic mutual fund inflows saw an inflow of ₹42,702 Cr (~$4.87 trillion) in July 2025, driven largely by investments in thematic and flexi cap funds. During the month, SIP inflows stood at ₹28,464 crore, with 9.11 crore contributing accounts.

Flavour of the Season:

July favoured **risk-off** moves: safe-haven bids in specific global assets early in the month, but later profit-taking and tariff-triggered weakness hit cyclicals and export-oriented names. Domestic money (retail SIPs and mutual fund flows into debt) remained an important stabilizer, but the month's theme was **elevated geopolitical/trade risk,** keeping markets range-bound and biasing returns toward quality and defensive sectors.

Precious Metals Update (as of July, 2025)

Gold and silver prices have seen fluctuations due to global economic uncertainties:

Metal	Price (₹)	1M Change
Gold 24K (10 gm)	1,00,660	0.79%
Silver (1 Kg)	1,15,000	7.50%

Top 5 PMS Picks (July, 2025)

Based on recent performance and strategic focus, here are the top Portfolio Management Services (PMS) from our empanelled list based on 1-month returns:

PORTFOLIO	CATEGORY	1 Month
CARNELIAN ASSET MANAGEMENT - Shift Strategy	Multi Cap	-1.06%
VALUEQUEST INVESTMENT ADVISORS - Growth	Multi Cap	-1.19%
RENAISSANCE IM PVT LTD - IndiaNext Portfolio	Flexi Cap	-2.52%
ABAKKUS ASSET MANAGERS - All Cap Approach	Multi Cap	-2.66%
ABAKKUS ASSET MANAGERS - Emerging Opportunities	Small & Mid Cap	-2.72%

Key Highlights

U.S. Tariff Stance & Its Impact on Indian Exports

"On April 2, 2025, the U.S. introduced a baseline 10% import duty on all goods (called the "Liberation Day" tariff), plus country-specific "reciprocal" tariffs, aimed at countering perceived unfair trade practices. For India, this amounted to 25% initially, set to take effect from August 1.

Escalation to 50% total tariffs
In response to India's continued purchases of Russian oil, the U.S. added another 25%, bringing total duties to 50%, effective from late August.

Exports at stake—$86B and counting
India ships roughly $87 billion worth of goods to the U.S. annually. Subjecting this to 50% tariffs jeopardizes up to half of the export volume.

Sectoral hits: Gems & jewellery
India exported $4.8 billion worth of cut and polished diamonds to the U.S. in FY 2024-25, comprising over one-third of total gem exports. The sector employs more than 2 million workers, especially concentrated in Surat. The effective tariff now stands near 52.1% (2.1% base + 50% punitive), threatening mass cancellations and closures.

Seafood industry under stress
The U.S. tariff hike could cost India's seafood sector an estimated ₹24,000 crore in lost exports. The new duties severely dampen competitiveness in a market heavily reliant on U.S. demand.

Textiles, apparel, and garments—60% sales slump risk
The Global Trade Research Initiative warns of a potential 60% drop in U.S. sales for garment exporters. Many Indian apparel firms are rushing to ship orders ahead of the cutoff (August 27) to salvage operations.

Broader economic impact: GDP, rupee, jobs
Analysts project that such tariffs could cut India's GDP growth by up to 60 basis points, strain the rupee, stoke inflation, and trigger capital outflows.

Employment worries across sectors

Export-intensive sectors like textiles, gems, seafood, and leather employ millions in labor-intensive value chains. The tariffs threaten layoffs, factory shutdowns, and regional economic distress.

Policy response from India

The government is not retaliating with its own tariffs, but is pushing for trade talks, export assistance schemes (credit, interest subsidies), and has signaled fiscal support for affected exporters.

Calls for boycotts & diversification

In response to the U.S. move, domestic calls for boycotting American products surfaced. Exporters are shifting focus to new markets (EU, Middle East, Africa), while some are relocating production to countries like Bangladesh, Vietnam, and Kenya with lower tariffs.