



# ClickToInvest Monthly Market Insights

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## International Economy

### International Economy – May 2025

The global economy is navigating a turbulent environment shaped by renewed trade tensions and uneven growth across regions. The reintroduction of tariffs by President Trump has amplified trade uncertainty and increased costs for businesses globally. These protectionist measures are straining supply chains and weighing on global trade sentiment.

In the U.S., the Federal Reserve has adopted a wait-and-watch approach. Policymakers have held short-term interest rates steady, indicating that rate cuts will be delayed until there is stronger evidence that inflation is approaching the Fed's 2% target or until labor market conditions weaken meaningfully.

Manufacturing activity remains under pressure in both China and the UK, where factory output contracted again in April. India continues to stand out as the fastest-growing major economy, driven by domestic consumption and public investment.

May 2025 closed on a cautious note for global financial markets. After April's sharp volatility, markets showed signs of stabilization, though sentiment remained fragile. The U.S. dollar recovered modestly, posting a 1.2% gain for the month, supported by safe-haven demand and hawkish Fed commentary. Meanwhile, the S&P 500 ended flat, down just 0.1%, marking its fourth consecutive month of marginal losses, as investors remained concerned about persistent inflation, geopolitical risks, and slowing global growth.

## Domestic Economy

According to official MoSPI data, India's Index of Industrial Production (IIP) grew 2.7% year-on-year in April, a slowdown from March's 3.0%, marking its slowest pace in eight months.

Retail inflation, measured by CPI, fell to a multi-year low of 3.16% in April, well below the RBI's 4% target. Early estimates for May 2025 suggest inflation dropped further to around 3.0%, or possibly as low as 2.7%, propelled by easing food prices—even though some vegetables remained firm.

The RBI cut the repo rate by 50 basis points to 5.50%, marking its third 2025 rate reduction, and shifted its stance from “accommodative” to “neutral.” Simultaneously, the Cash Reserve Ratio (CRR) was reduced by 100 bps to 3% in four stages beginning September 2025, releasing around ₹2.5 trillion in liquidity.

## Future Market Outlook

India's near-term outlook remains positive, supported by resilient domestic demand, strong government capex, and moderating inflation. The recent 50 bps rate cut by the RBI and a 100 bps CRR reduction have further improved liquidity conditions, laying the groundwork for a potential pick-up in private consumption and investment activity over the coming quarters.

However, external headwinds persist. Escalating global trade tensions—especially from renewed tariff actions by the U.S.—continue to cloud the export outlook. Sluggish factory activity in major trading partners like China, the UK, and the EU could limit India's outbound trade performance in the near term.

### Stock Market Update

As of May 30, 2025, the Indian stock markets concluded the month with marginal declines:

- BSE Sensex closed May around 81,451.01, recovering from mid-May volatility.
- NSE Nifty 50 finished the month near 24,750, marking a modest gain of +1.7% in May.

**Foreign portfolio investors (FPIs)** infused approximately \$2.34 billion, the highest monthly inflow since September 2024, boosting mid- and small-caps by 8.7% and 6.1%, respectively [reuters.com](#).

Domestic mutual fund inflows dropped to a 13-month low of ₹190 billion (~\$2.2 billion), with large-, mid-, and small-cap funds all seeing reduced contributions driven by a softer market in May after sharp rallies in earlier months, stretched valuations, macro headwinds including India-Pakistan tensions, and global inflation concerns

### Flavour of the Season:

Amongst the sectoral categories, the defence sector funds have delivered impressive returns. The HDFC Defence Fund for instance, has delivered a whopping return of **20.37%**. Investors are advised to consider these sectors while maintaining a diversified portfolio to mitigate risks.

## Mutual Fund Portfolio Mix – Top Performers (May 2025)

Positive macroeconomic conditions and steady corporate earnings have contributed to the positive performance of mid-small segment.

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| Category        | Scheme Name                        | 1 Month Return | AUM (₹ Cr) |
|-----------------|------------------------------------|----------------|------------|
| Thematic        | HDFC Defence Fund                  | 20.37%         | 6,665      |
| Small Cap       | DSP Small Cap Fund                 | 17.21%         | 16,305     |
| Infrastructure  | LIC MF Infrastructure Fund         | 16.98%         | 1,005      |
| Large & Mid Cap | Motilal Oswal Large & Mid Cap Fund | 16.07%         | 10,840     |
| Small Cap       | Bandhan Small Cap Fund             | 15.82%         | 11,744     |
| Small Cap       | HDFC Small Cap Fund                | 14.62%         | 30,880     |
| Small Cap       | Invesco India Small Cap            | 14.43%         | 6,823      |
| Small Cap       | HSBC Small Cap Fund                | 14.37%         | 16,061     |
| Mid Cap         | Invesco India Mid Cap Fund         | 14.07%         | 6,641      |
| Mid Cap         | ICICI Prudential Midcap Fund       | 13.78%         | 6,421      |

Precious Metals Update (as of May, 2025)

Precious metals saw inflows into ETFs as investors hedged against trade-policy risk

| METAL            | PRICE (₹) | 1 MONTH CHANGE |
|------------------|-----------|----------------|
| Gold 24K (10 Gm) | 97,310    | 8.44%          |
| Silver (1 Kg)    | 97,250    | 4.60%          |

Top 5 PMS Picks (May, 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 |
|---------------------------------------------|-----------------|---------|
| ALFACCURATE ADVISORS - AAA Budding Beasts   | Small & Mid Cap | 11.43%  |
| CARNELIAN ASSET MANAGEMENT - Shift Strategy | Multi Cap       | 9.32%   |
| NAFA ASSET MANAGERS- Small Cap Portfolio    | Small Cap       | 9.24%   |
| PGIM INDIA - Phoenix Portfolio              | Small & Mid Cap | 8.81%   |
| VALENTIS ADVISORS - Rising Star Opportunity | Small Cap       | 8.17%   |

\*Source: PMS BAZAAR.

## Key Highlights

### Kotak Mahindra Bank

Recent leadership changes and internal restructuring are aimed at reviving growth. Loan book growth remains modest compared to peers, but asset quality is stable. The valuations are now more reasonable, making it attractive for long-term accumulation.

### Aditya Birla Capital

Strong presence across NBFC, insurance, AMC, and housing finance segments. Improving consolidated RoE and profitability post restructuring. Focus on digitisation and cross-selling is helping scale operations across verticals.

### Biocon

**Biologics division** is the key long-term growth driver with global expansion (US, EU). Margin pressure persists due to R&D costs and pricing competition in generics. Partnerships (e.g., with Viatris) and biosimilar pipeline give strong future optionality.

[https://www.youtube.com/watch?v=E\\_GShE4AHzw](https://www.youtube.com/watch?v=E_GShE4AHzw)

### Tech Mahindra

Revenue pressure from telecom vertical slowdown is partly offset by growth in enterprise & AI-led deals. Margins are stabilising post cost rationalisation; deal wins in BFSI and manufacturing are promising. Stock is reasonably valued, and is expected to benefit from long-term digital capex cycles.

<https://www.youtube.com/watch?v=OA3Kwymn0BQ>

### Mahindra & Mahindra (M&M)

Rural recovery and robust auto/farm equipment sales are supporting topline growth. EV segment (especially 3-wheelers and XUV line-up) gaining strong early traction. Strong balance sheet and leadership in tractors make it a core portfolio play in domestic manufacturing.

<https://www.youtube.com/watch?v=Zlq1xN5ia8A>



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