



PRIME RESEARCH

— Empowering decisions —

What's Happening & What's Next
February 2025

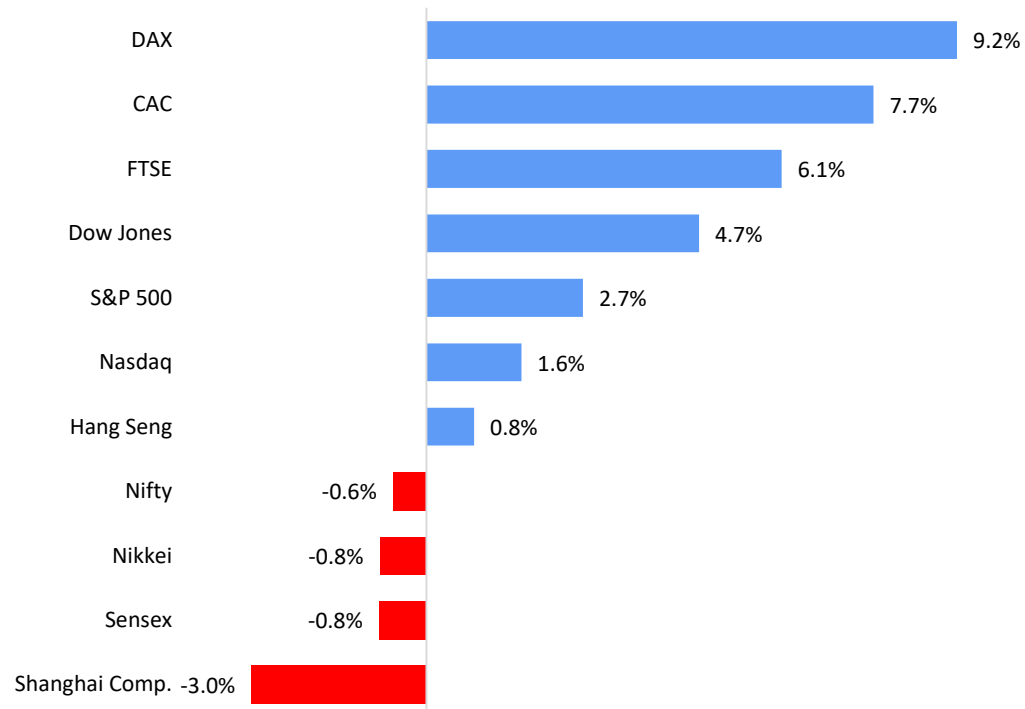
What's Happening

January 2025
In Rear View Mirror

- World Indices & Commodity Performance
 - Global Equity Bull Market – Live & Kicking !
 - Emerging Markets Are Also Recovering
 - India Underperforms The Globe
- India Sectoral Moves and Rotations
- NSE500 Breadth Continue to Deteriorate
- Domestic Absorbs FII Selling

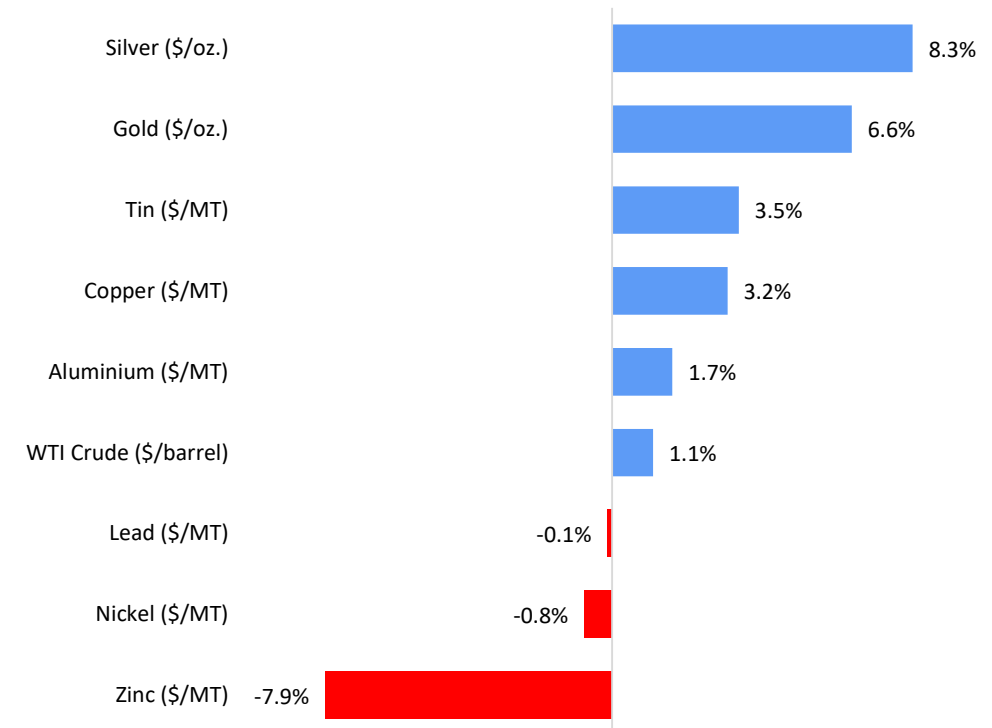
European Markets Outperforms on Valuation Comforts Tariff Worries Weigh on Chinese Equities

Major Equity Indices Performance January % Change



Bullions Command the Market

Commodity Performance January % Change



Global Bull Market Intact

MSCI World Index Near Record Level



Emerging Markets are Recovering

MSCI EM Index Recovering

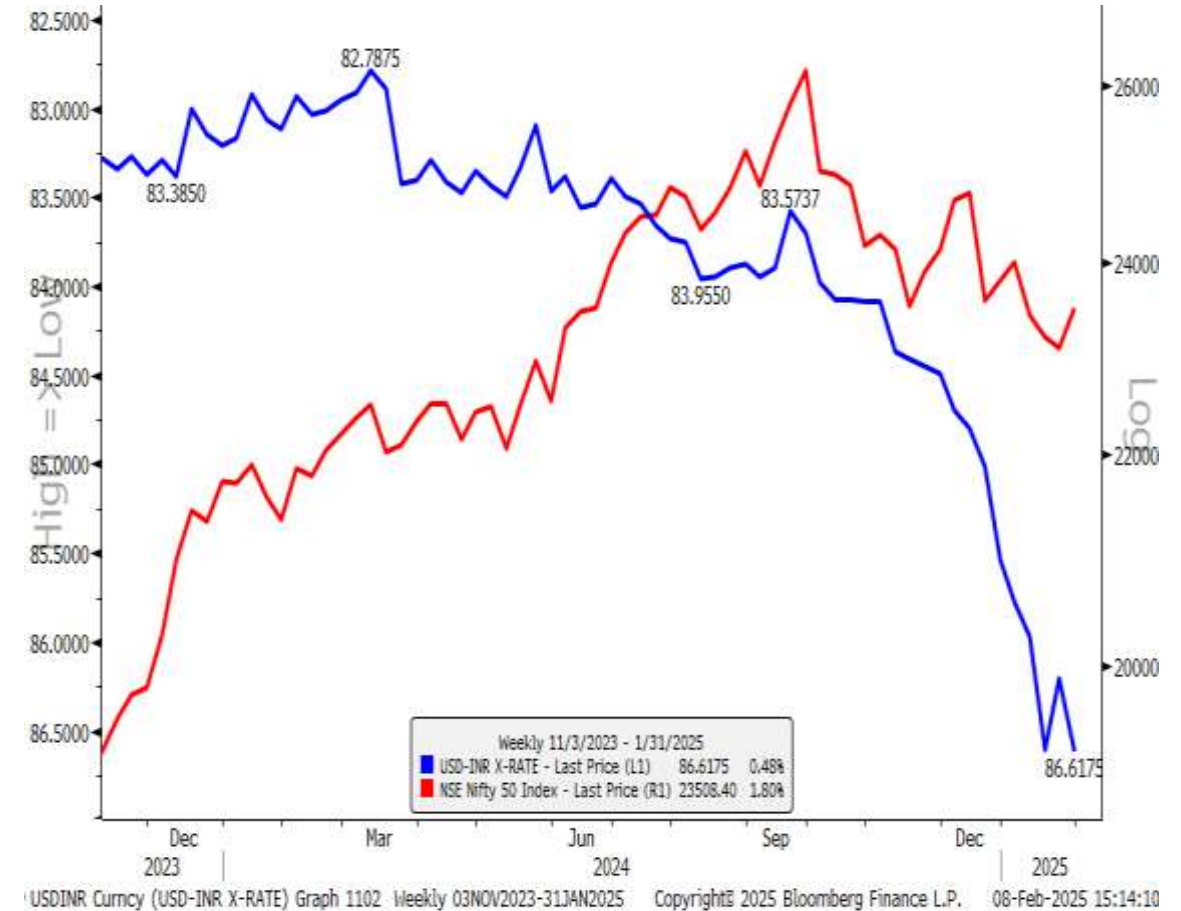


India Underperforms the Globe

MSCI India Underperforming in Region



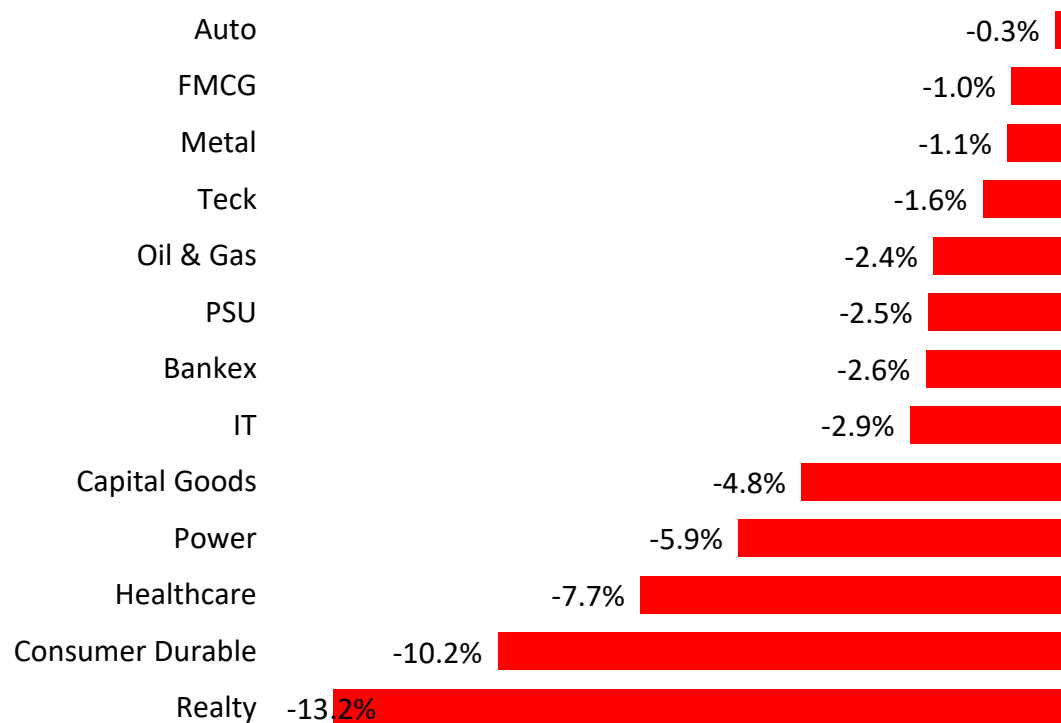
Nifty50 Index vs Rupee/Dollar



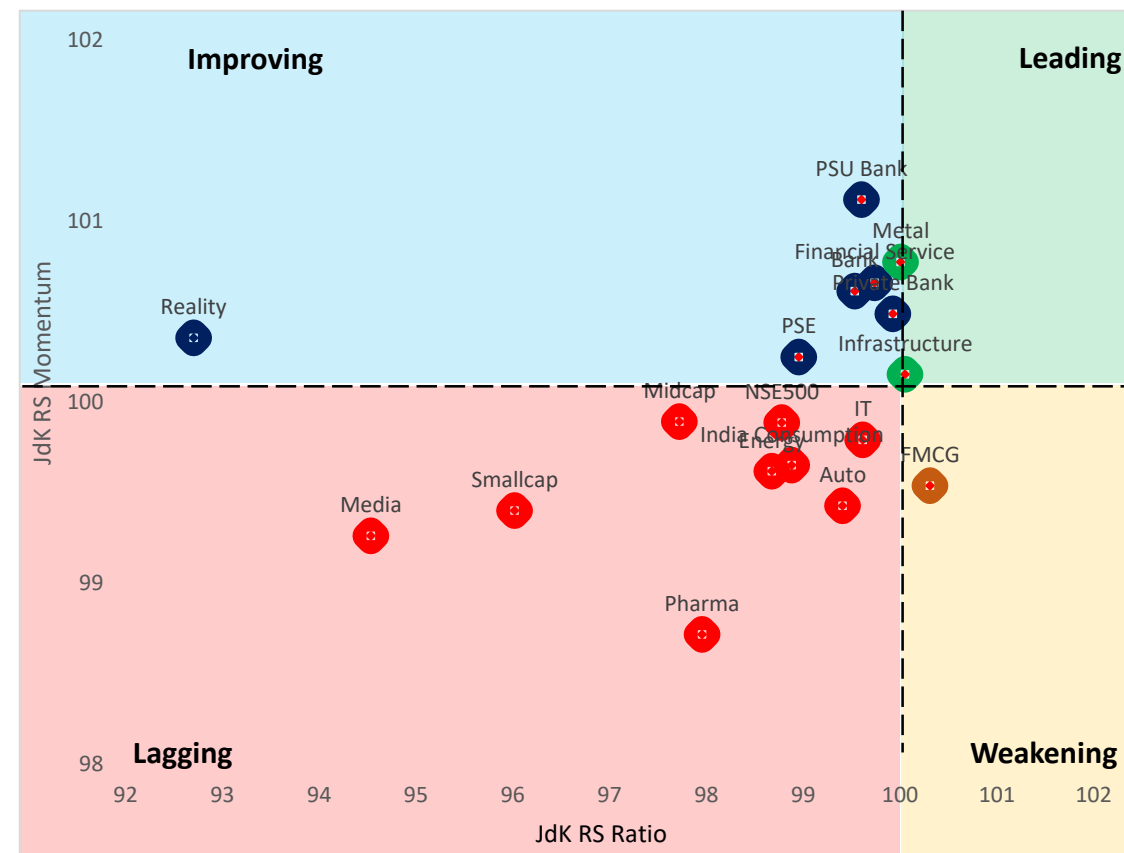
India Sectoral Moves and Rotations

All Sectors Bleed on Foreign Fund Selling

BSE Sectoral Performance
January % Change

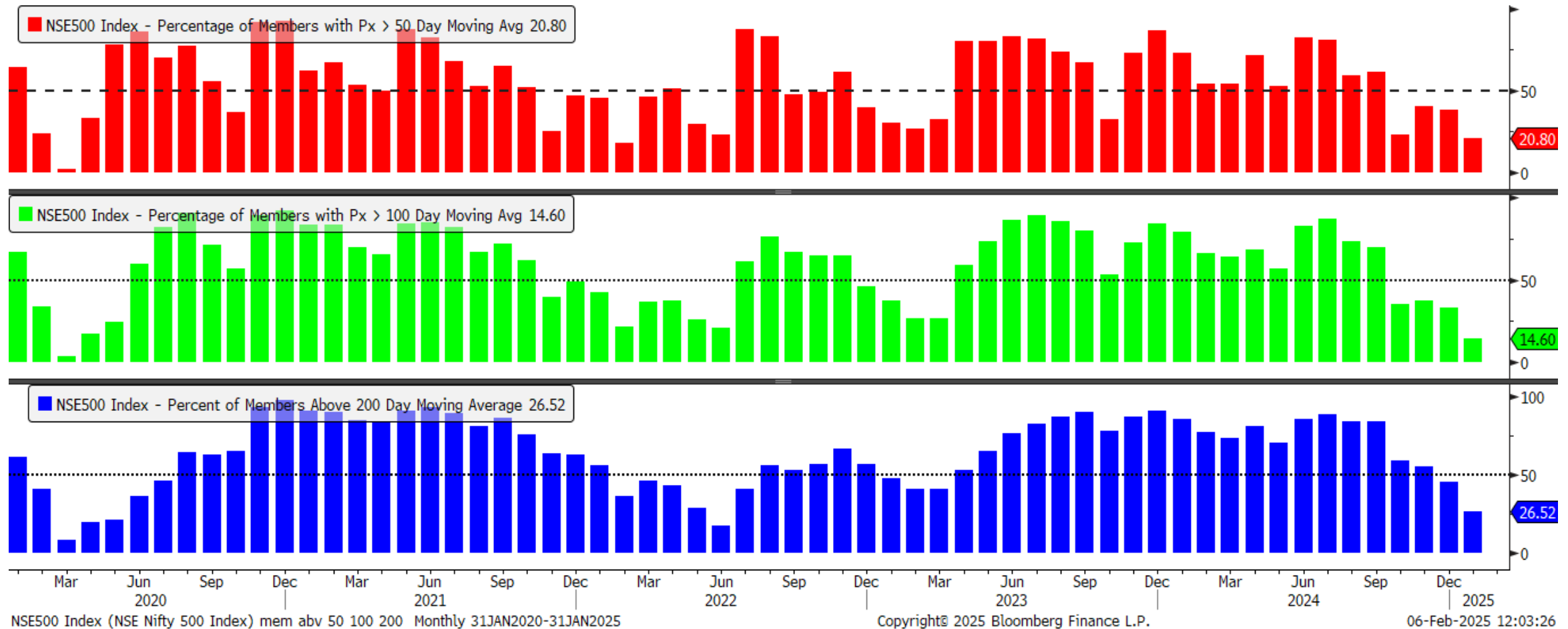


PSU Bank Improving; Metal& Infra Leading FMCG Weakening, Media Lagging



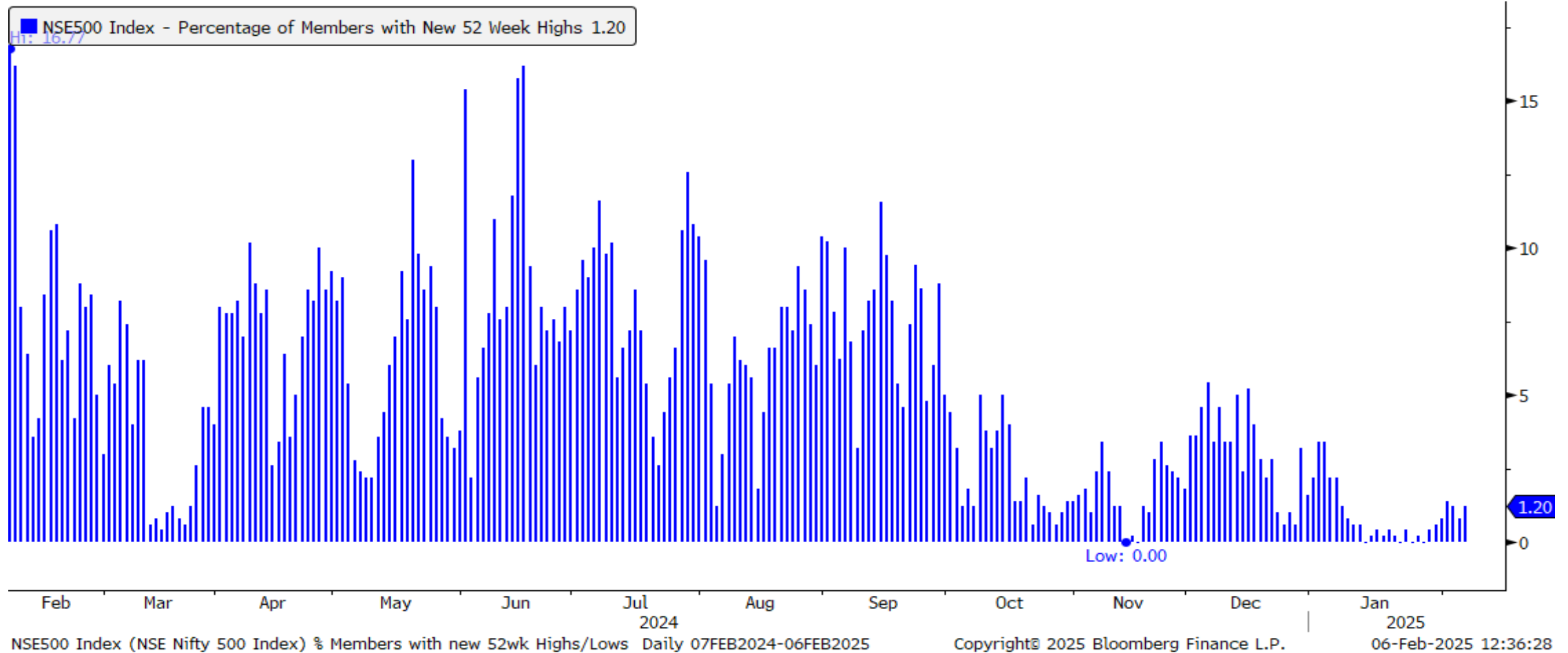
NSE500 Breadth Continue to Deteriorate

NSE500 Index Members above Major Moving Averages



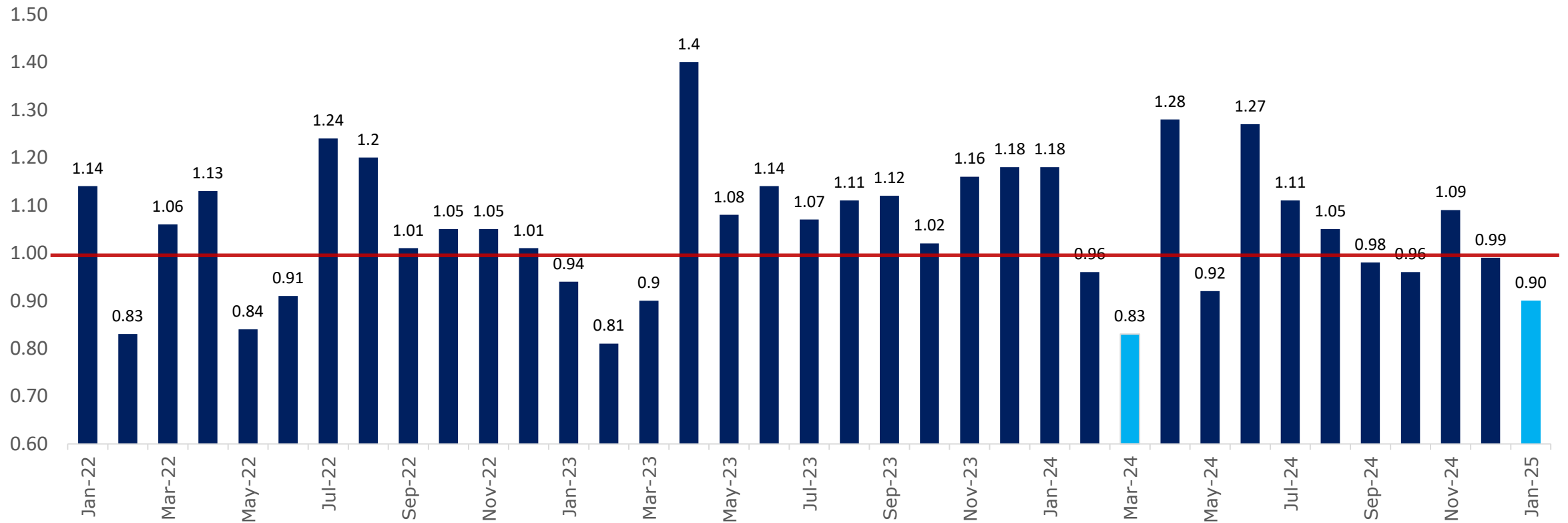
NSE500 Breadth Continue to Deteriorate

NSE500 Index stocks at 52 Week Highs



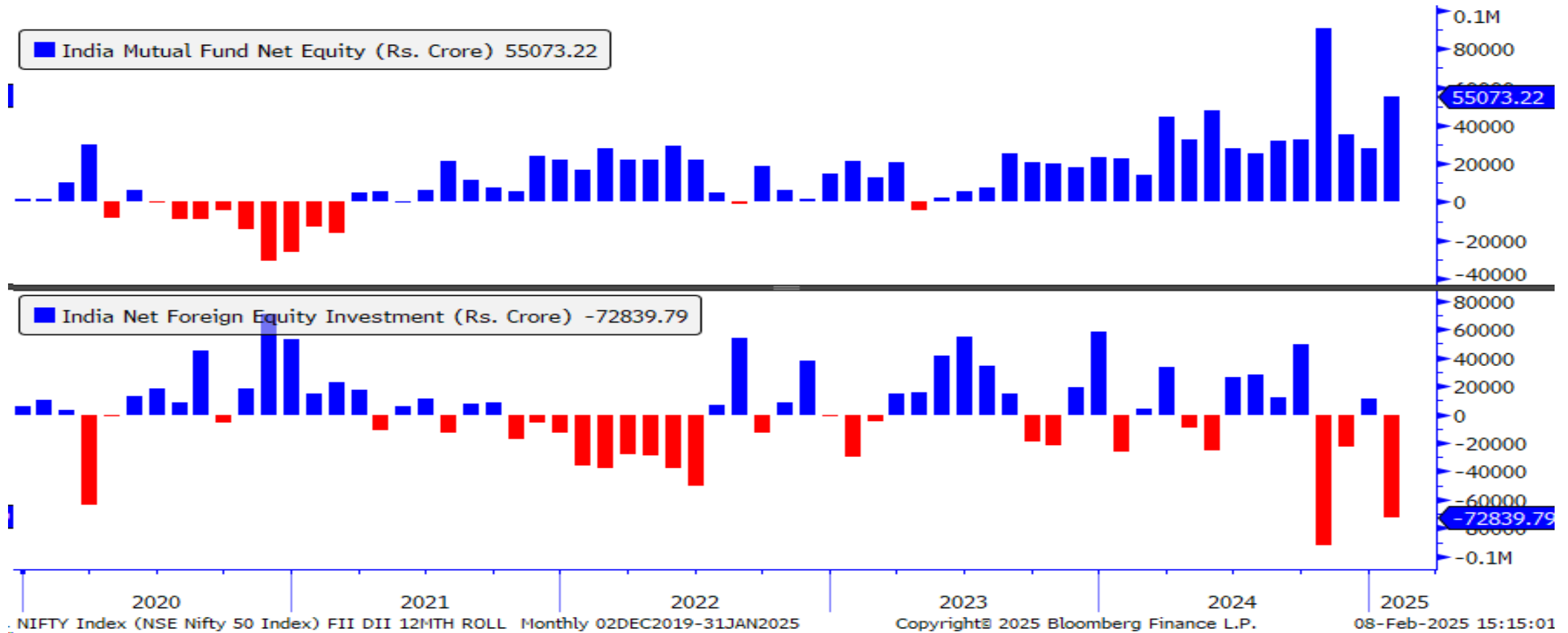
Advance Decline Ratio on BSE at 10 Month Low

BSE Advance Decline Ratio



Domestic Institutions Absorbs FII Selling

Institutional Flows



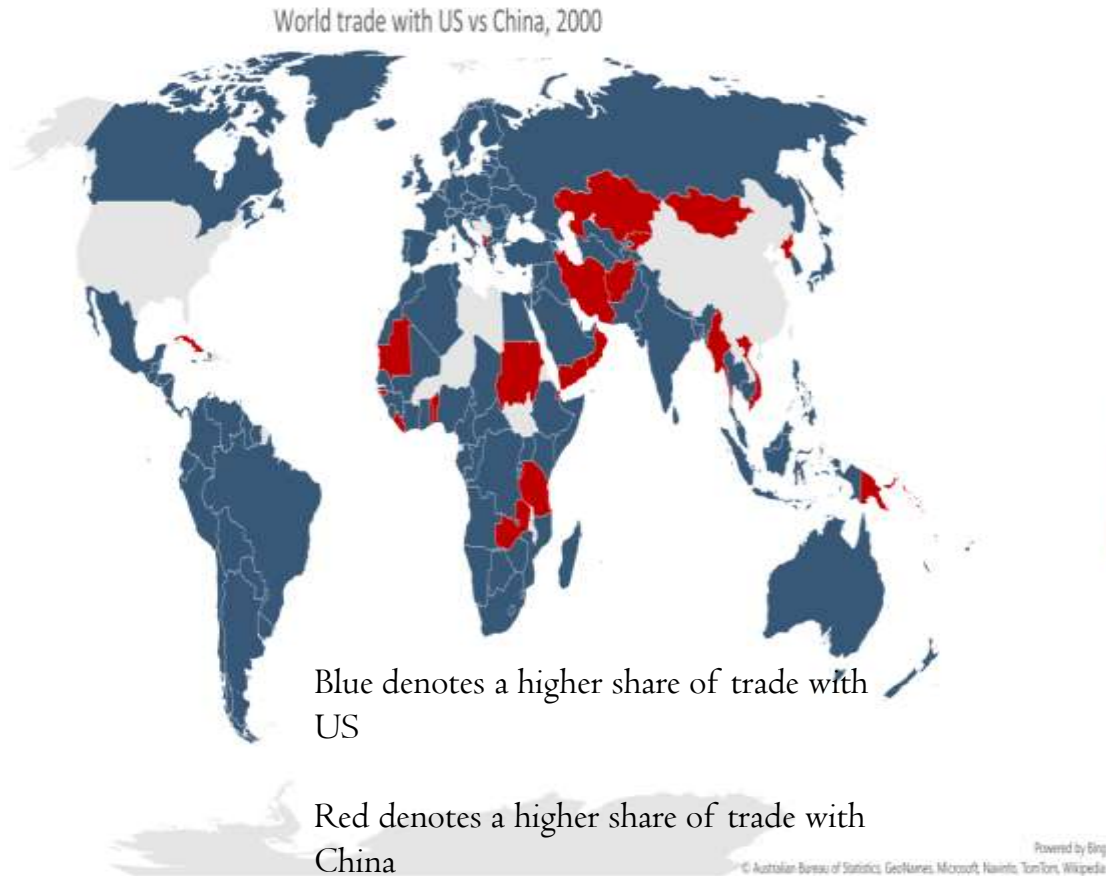
What's Happening

Tariff Wars

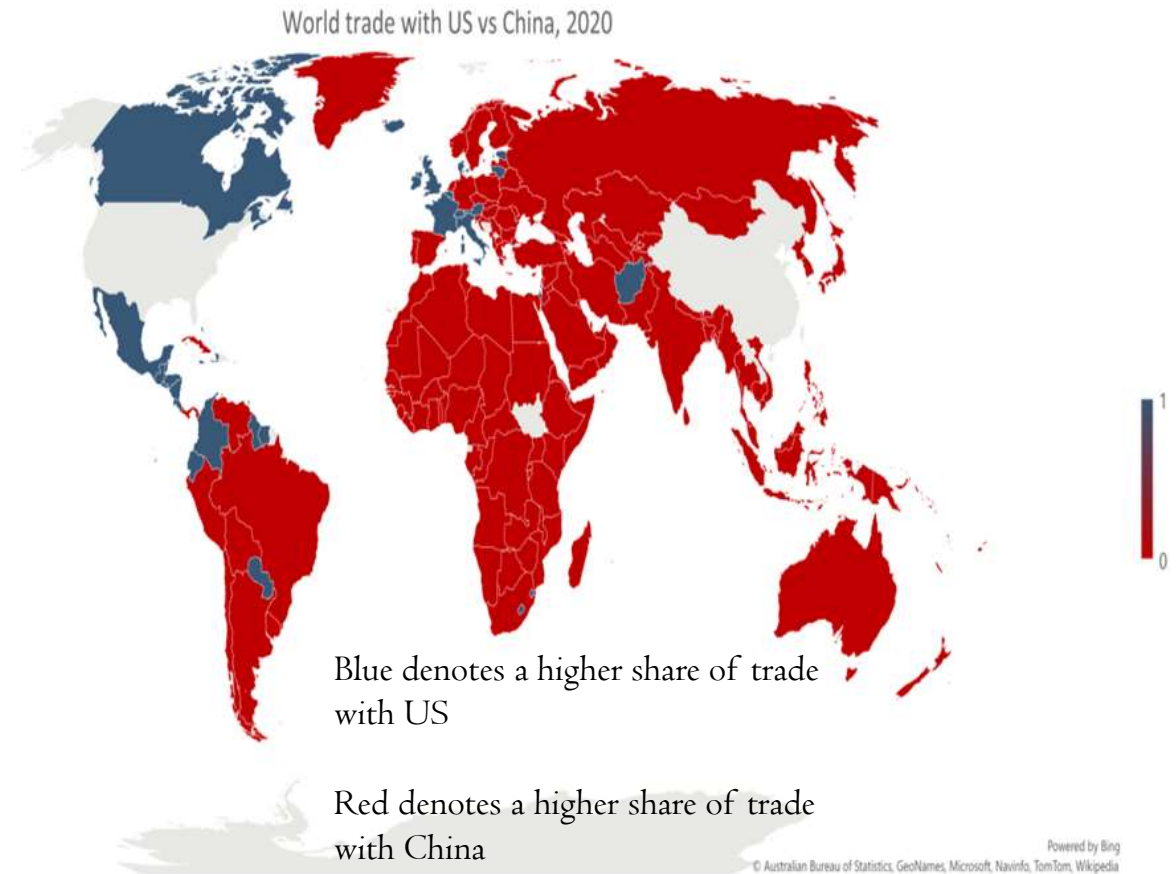
- The US-China Trade War: Origins, Evolution, and Current State
- China's Clout keep growing
- US Deficit With Asia Keeps Region at Risk
- S&P 500 Companies Revenue share from Abroad
- US Imports from China, Canada and Mexico
- US highly dependent For Intermediate & Final Goods Imports
- 200 years of Tariff History – Tariffs are likelt to be back to 1969 levels.
- Trump's Bold Agenda - Fed Will Think Twice Before Cutting Rates Now
- Impact of Tariffs on Inflation, Jobs and Wages

The US-China Trade War: Origins

In 2000, The US was The Main Trade Partner For Most Countries in The World

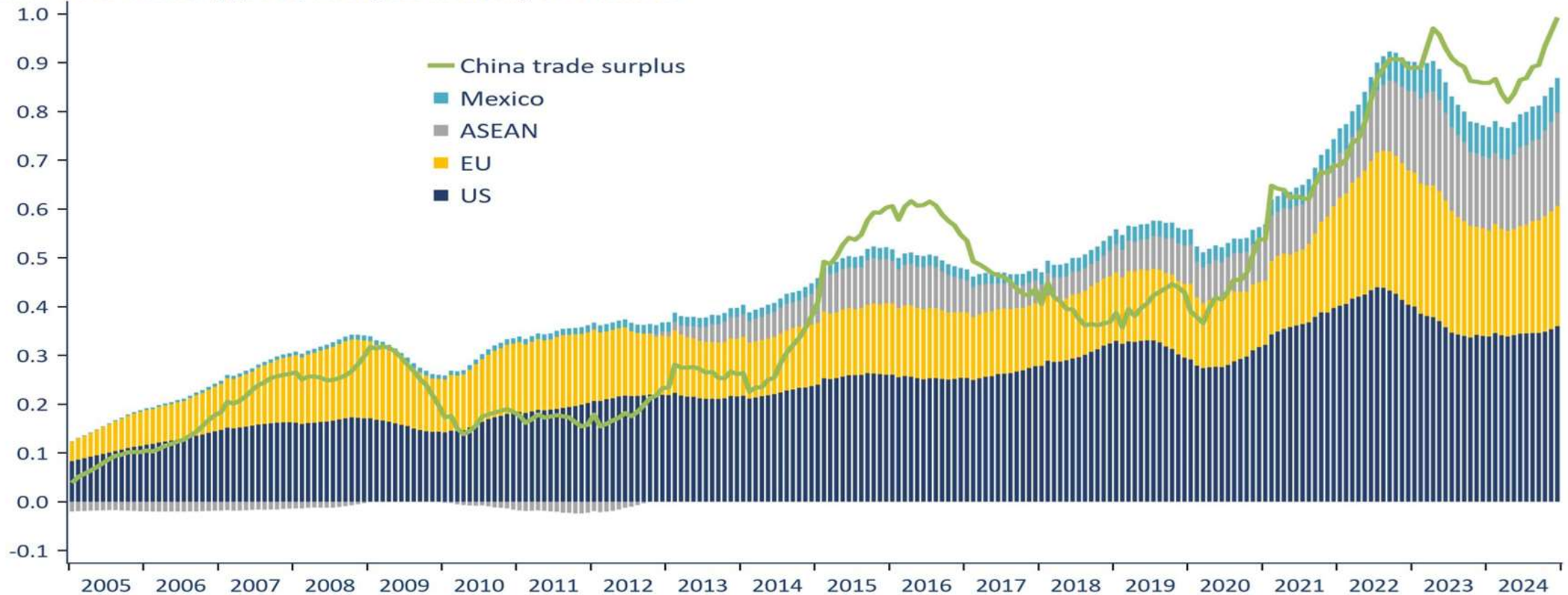


In 2020, China is The Main Trade Partner For Most Countries in The World



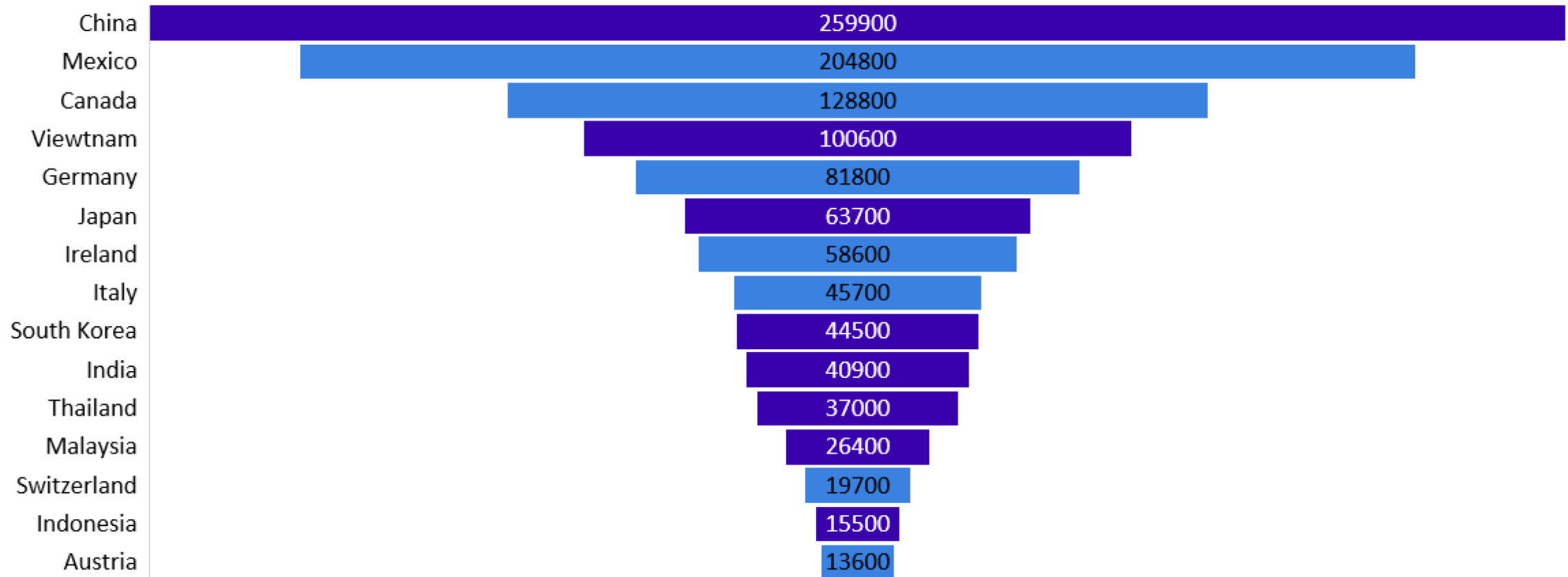
Despite All The Talks Of Trade Barriers: China's Trade Surplus has Grown to ~\$1 Trillion

China trade balance, goods, rolling 12 monthly, USD trillions



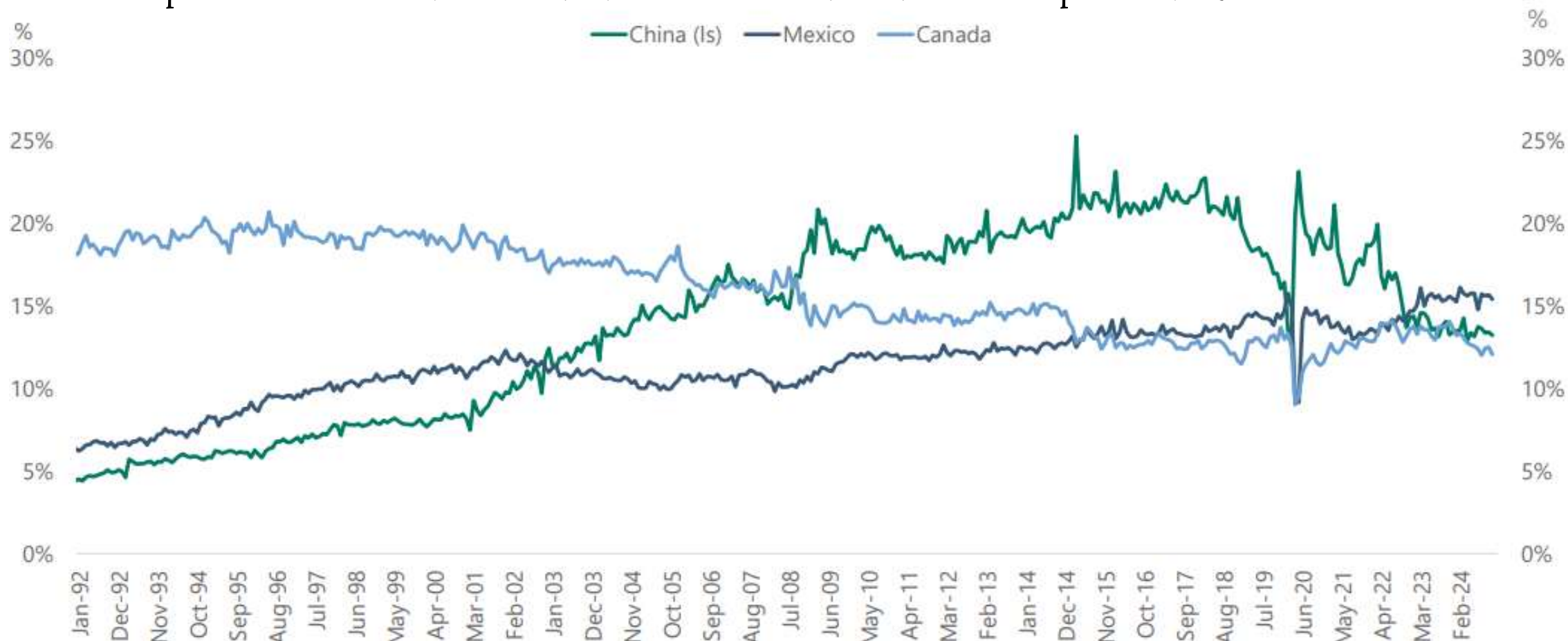
US Deficit With Asia Keeps Region at Risk

US Deficit with Countries (\$million)



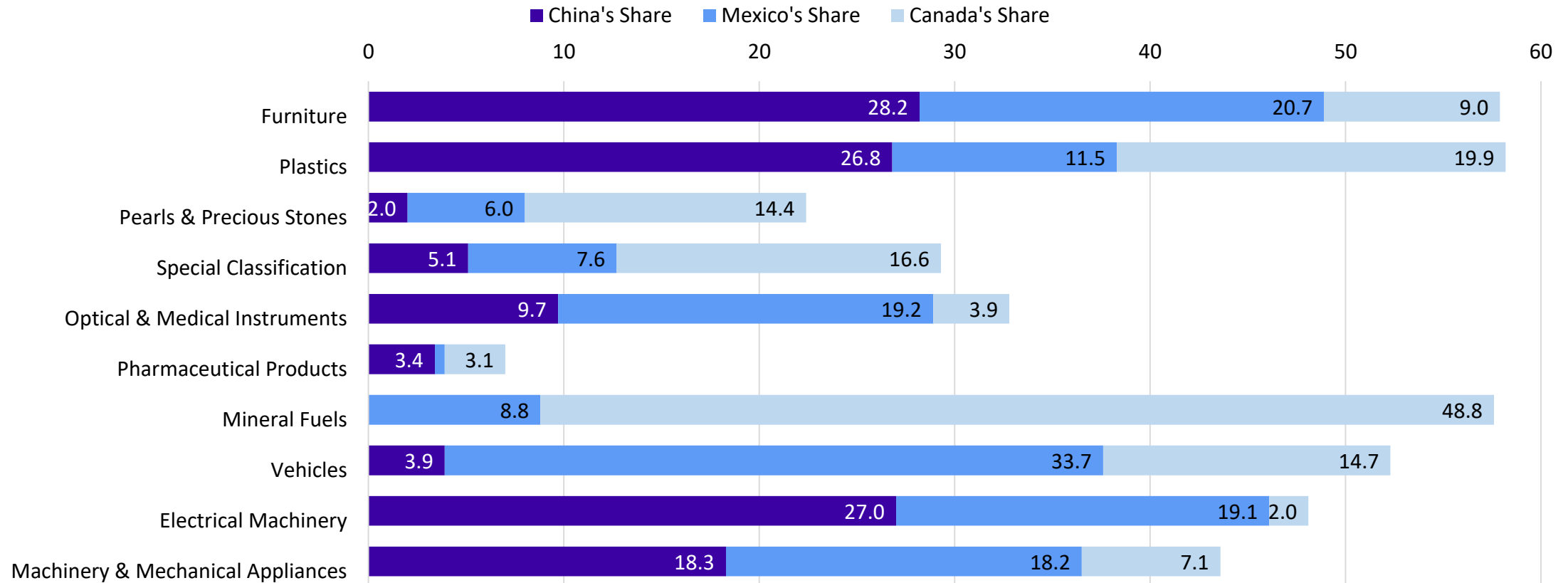
US Imports From Its Major Trade Partners

US Imports From China Have Declined Over The Past Decade And Mexican Imports Have Risen



US Highly Dependent For Intermediate & Final Goods Imports

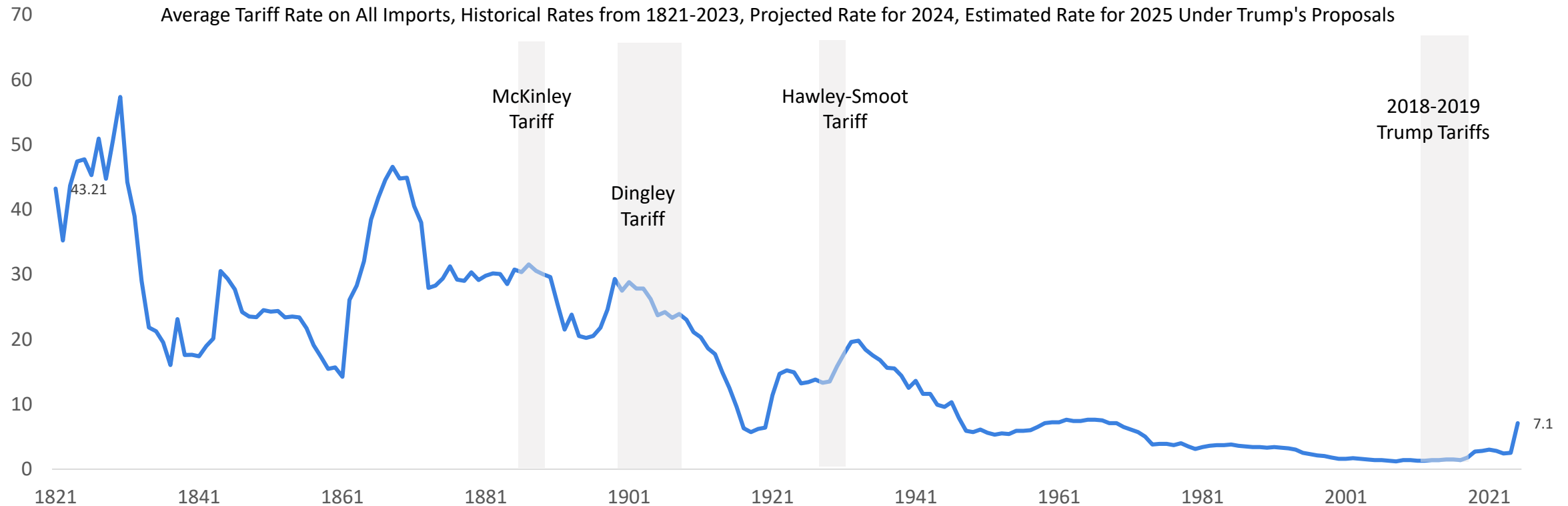
Top 10 US Imported Product Categories (% shares)



200 Years Of Tariff Rate History: Trump Would Take Tariffs Back To 1969 Levels

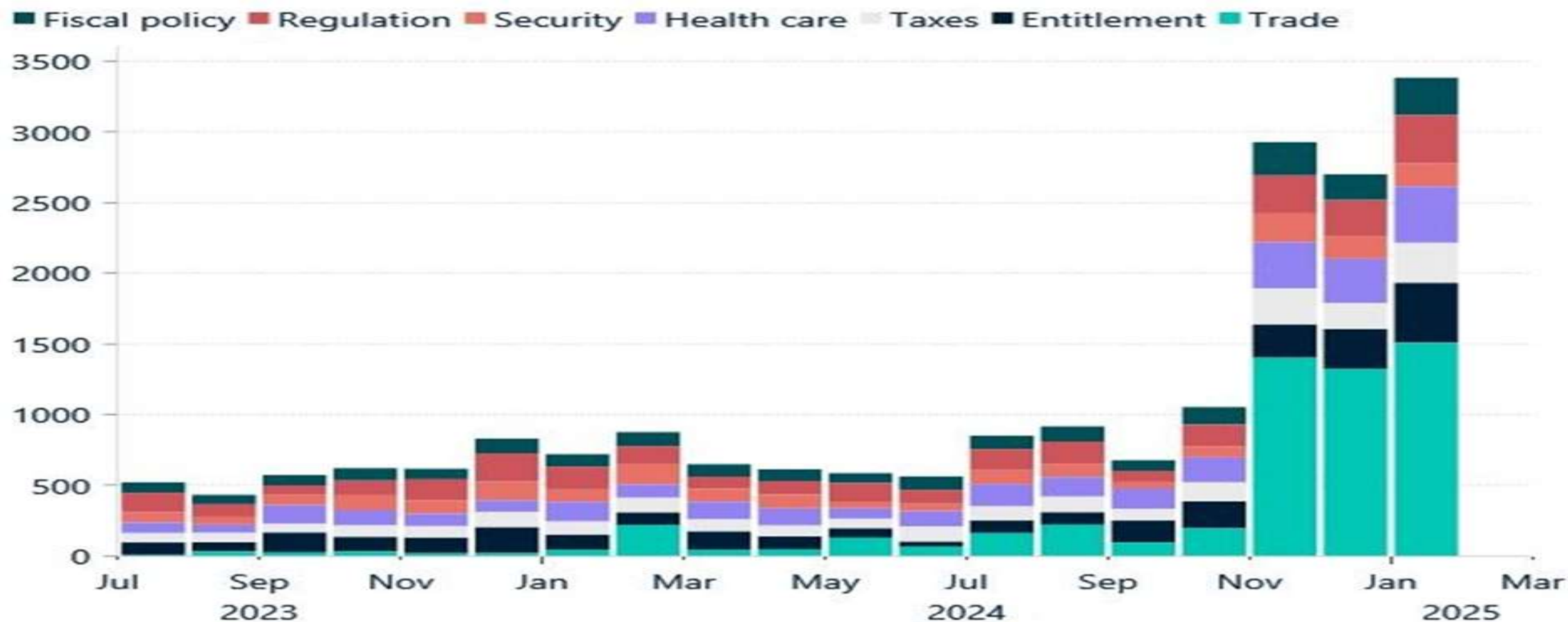
Trump's Tariffs Would Take the Average Tariff Rate on All Imports to Highs Not Seen Since 1969

Average Rate On All Imports



Trump's Bold Agenda -Fed Will Think Twice Before Cutting Rates!

Sub-indicators of the US Economic Policy Uncertainty Index



Tariff War Will Create Headwinds For Jobs And Growth

Estimated Impact of President Trump's Proposed Tariffs on US Economy

Trump Tariffs: The Economic Impact of the Trump Trade War				
	Scenario I 20% Universal Tariffs and 60% China Tariffs	Scenario 2 25% Canada and Mexico Tariffs and 10% China Tariffs		
		Canada/Mexico	China	Total
GDP	-1.3%	-0.3%	-0.1%	-0.4%
Capital Stock	-1.4%	-0.2%	-0.1%	-0.3%
Pre-Tax Wages	0.0%	0.0%	0.0%	0.0%
Full-Time Equivalent Employment	-1.1 million	-2,69,000	-60,000	-3,30,000

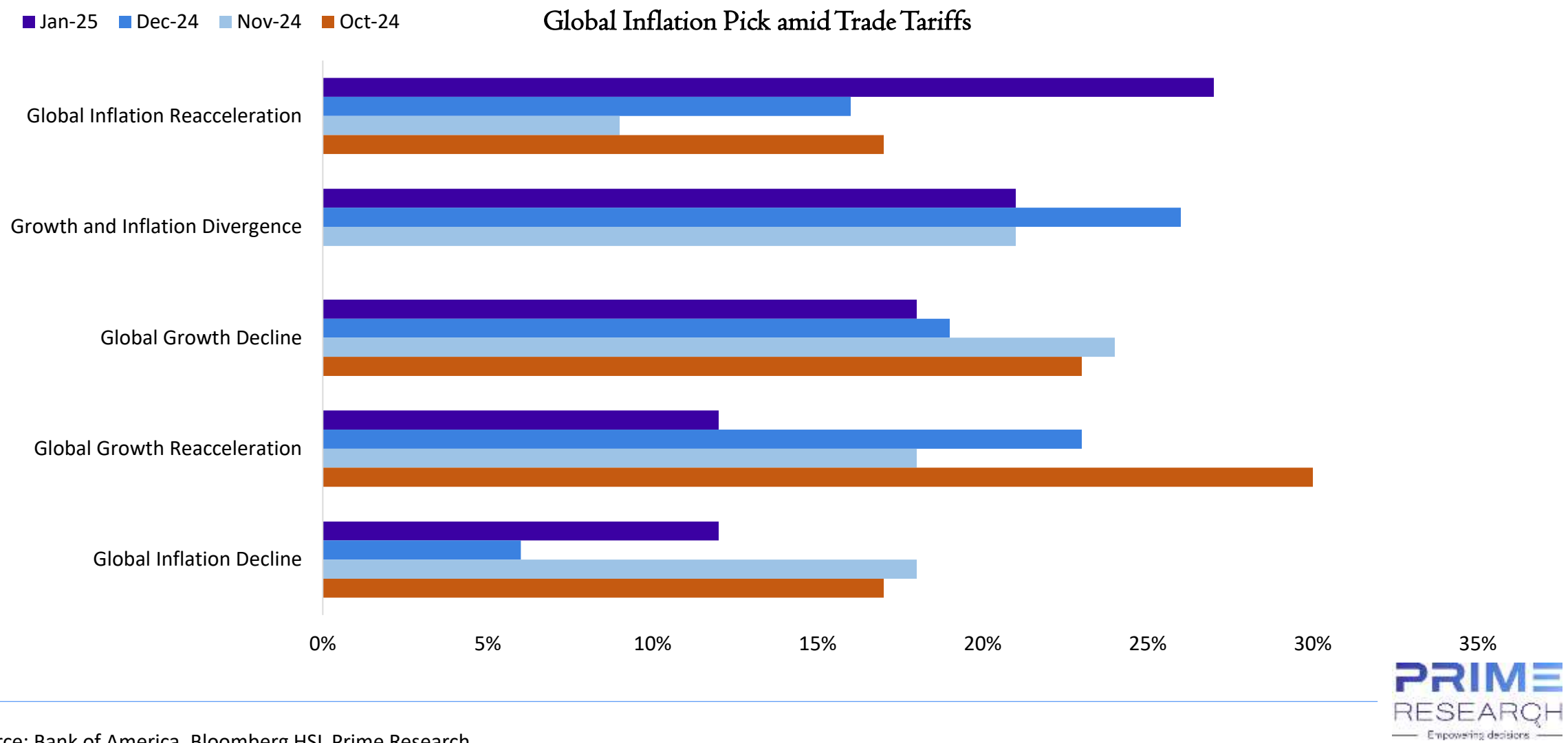
Estimated Impact of US Imposed Tariffs

2018-2019 Trade War Tariffs	
GDP	-0.2%
Capital Stock	-0.1%
Pre-Tax Wages	0.0%
Full-Time Equivalent (FTE) Jobs	-142,000

Estimated Impact of US Retaliatory Tariffs

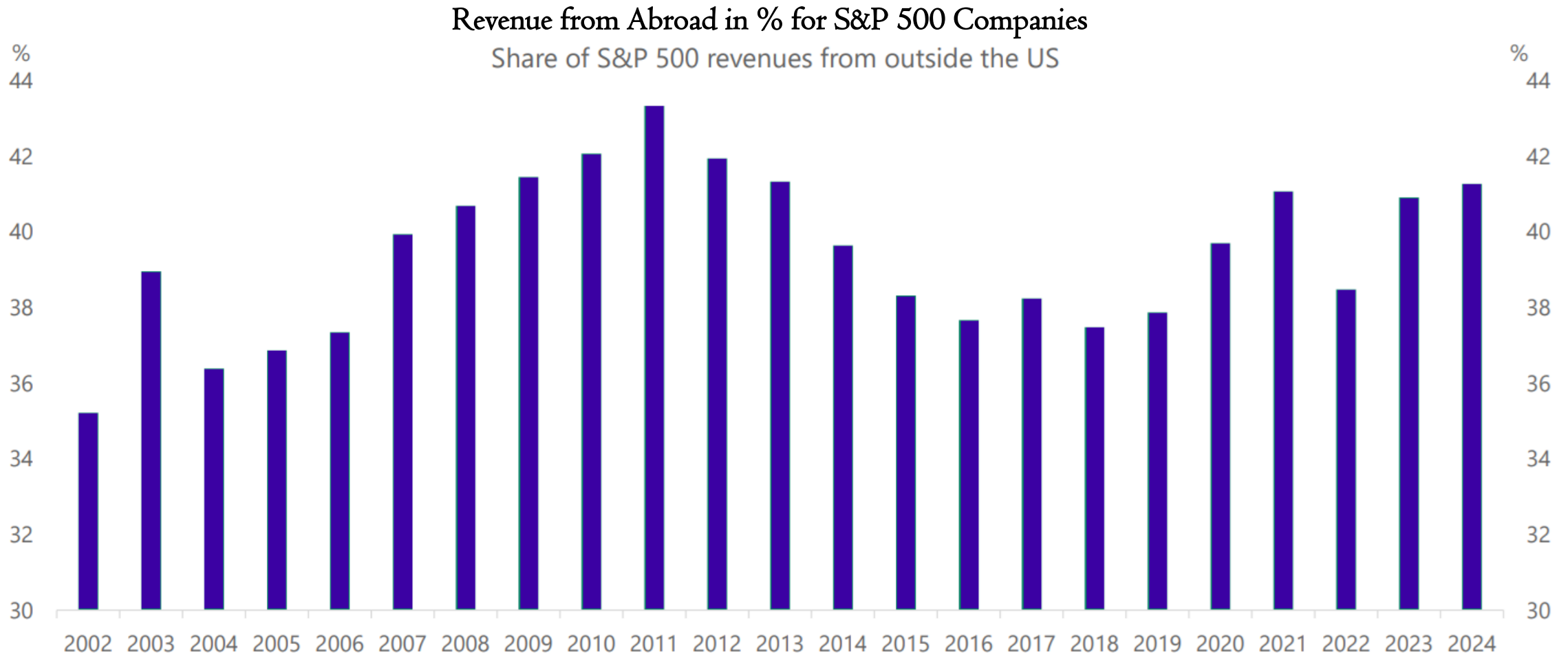
2018-2019 Retaliation	
GDP	Less than -0.05%
Capital Stock	Less than -0.05%
Pre-Tax Wages	0.0%
Full-Time Equivalent (FTE) Jobs	-27,000

Inflation May Rear Its Ugly Head



Source: Bank of America, Bloomberg HSL Prime Research

S&P 500 Companies have Substantial Global Revenues



What's Happening

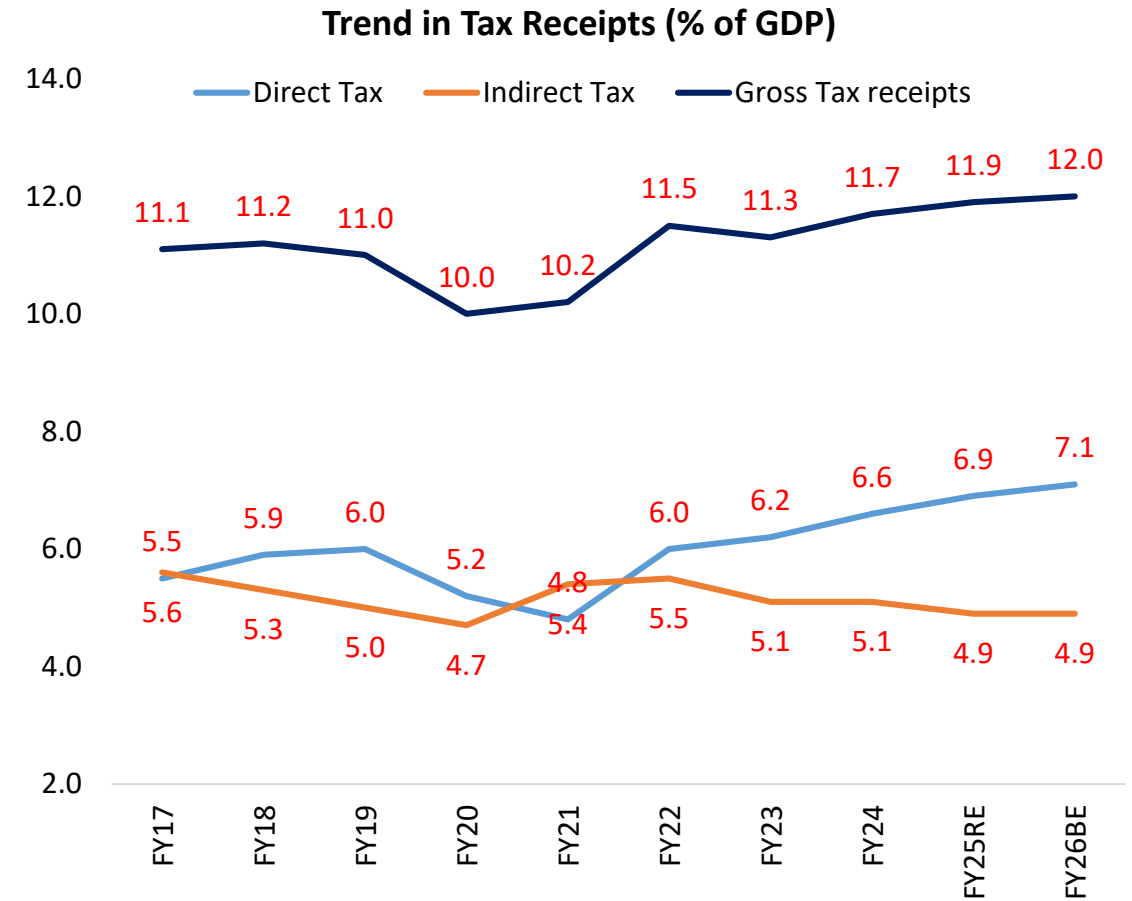
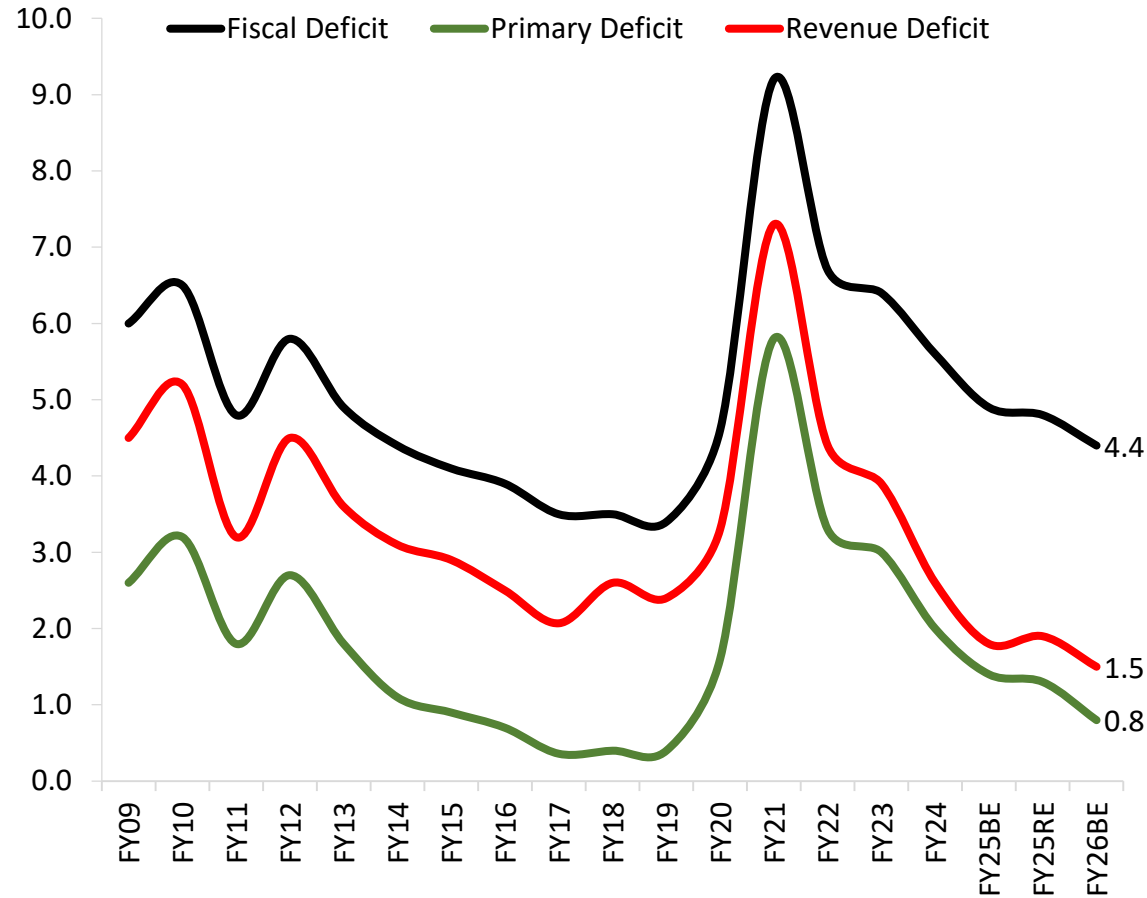
Union Budget & RBI Policy

Union Budget Estimates

	FY24	FY25	FY25	FY26	% Change		
	Actual	Budget Estimates	Revised Estimates	Budget Estimates	FY25RE vs FY24	FY25RE vs FY25BE	FY26BE vs FY25RE
1. Revenue Receipts	27,29,036	31,29,200	30,87,960	34,20,409	13.2	-1.3	10.8
2. Tax Revenue (Net to Centre)	23,27,251	25,83,499	25,56,960	28,37,409	9.9	-1	11
3. Non Tax Revenue	4,01,785	5,45,701	5,31,000	5,83,000	32.2	-2.7	9.8
4. Capital Receipts	17,14,411	16,91,312	16,28,527	16,44,936	-5	-3.7	1
5. Recovery of Loans	26,646	28,000	26,000	29,000	-2.4	-7.1	11.5
6. Other Receipts	33,122	50,000	33,000	47,000	-0.4	-34	42.4
7. Borrowings and Other Liabilities	16,54,643	16,13,312	15,69,527	15,68,936	-5.1	-2.7	0
8. Total Receipts (1+4)	44,43,447	48,20,512	47,16,487	50,65,345	6.1	-2.2	7.4
9. Total Expenditure (10+13)	44,43,447	48,20,512	47,16,487	50,65,345	6.1	-2.2	7.4
10. On Revenue Account of which	34,94,252	37,09,401	36,98,058	39,44,255	5.8	-0.3	6.7
11. Interest Payments	10,63,872	11,62,940	11,37,940	12,76,338	7	-2.1	12.2
12. Grants in Aid for creation of capital assets	3,03,916	3,90,778	2,99,891	4,27,192	-1.3	-23.3	42.4
13. On Capital Account	9,49,195	11,11,111	10,18,429	11,21,090	7.3	-8.3	10.1
14. Revenue Deficit (10-1)	7,65,216	5,80,201	6,10,098	5,23,846	-20.3	5.2	-14.1
	2.6%	1.8%	1.9%	1.5%			
15. Effective Revenue Deficit (14-12)	4,61,300	1,89,423	3,10,207	96,654	-32.8	63.8	-68.8
	1.6%	0.6%	1%	0.3%			
16. Fiscal Deficit [9-(1+5+6)]	16,54,643	16,13,312	15,69,527	15,68,936	-5.1	-2.7	0
	5.6%	4.9%	4.8%	4.4%			
17. Primary Deficit (16-11)	5,90,771	4,50,372	4,31,587	2,92,598	-26.9	-4.2	-32.2
	2%	1.4%	1.3%	0.8%			

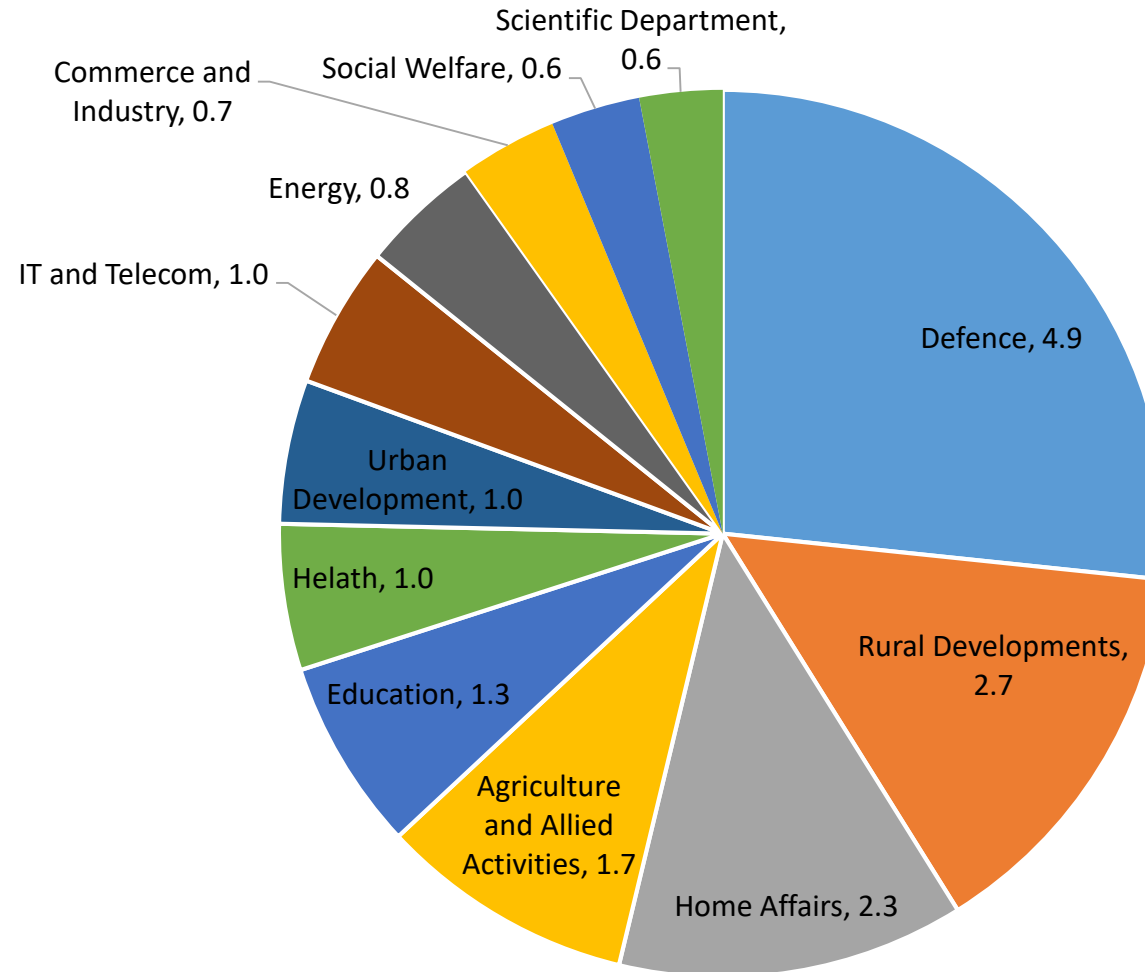
Source: GoI, HSL Prime Research

Path of Fiscal and Tax Receipts



Capital Expenditure Provisions

Rs Lakh Crore



Personal Income Tax Calculations

Existing Income Tax Slab	New Income Tax Slab	% Tax
Up to Rs 3,00,000	Upto Rs. 4,00,000	Nil
Rs 3,00,001 - 7,00,000	Rs 4,00,001 - 8,00,000	5
Rs 7,00,001- 10,00,000	Rs 8,00,001 - 12,00,000	10
Rs 10,00,001 - 12,00,000	Rs 12,00,001 - 16,00,000	15
Rs 12,00,001 - 15,00,000	Rs 16,00,001 - 20,00,000	20
NA	Rs 20,00,001 - 24,00,000	25
More than Rs 15,00,000	Above Rs 24,00,000	30

Income	Tax on Slabs and Rates		Benefit of	Rebate Benefit	Total Benefit	Tax after Rebate Benefit
	Present	Proposed	Rate/Slab	Full up to Rs 12 lacs		
8 Lakh	30,000	20,000	10,000	20,000	30,000	-
9 Lakh	40,000	30,000	10,000	30,000	40,000	-
10 Lakh	50,000	40,000	10,000	40,000	50,000	-
11 Lakh	65,000	50,000	15,000	50,000	65,000	-
12 Lakh	80,000	60,000	20,000	60,000	80,000	-
16 Lakh	1,70,000	1,20,000	50,000	-	50,000	1,20,000
20 Lakh	2,90,000	2,00,000	90,000	-	90,000	2,00,000
24 Lakh	4,10,000	3,00,000	1,10,000	-	1,10,000	3,00,000
50 Lakh	11,90,000	10,80,000	1,10,000	-	1,10,000	10,80,000



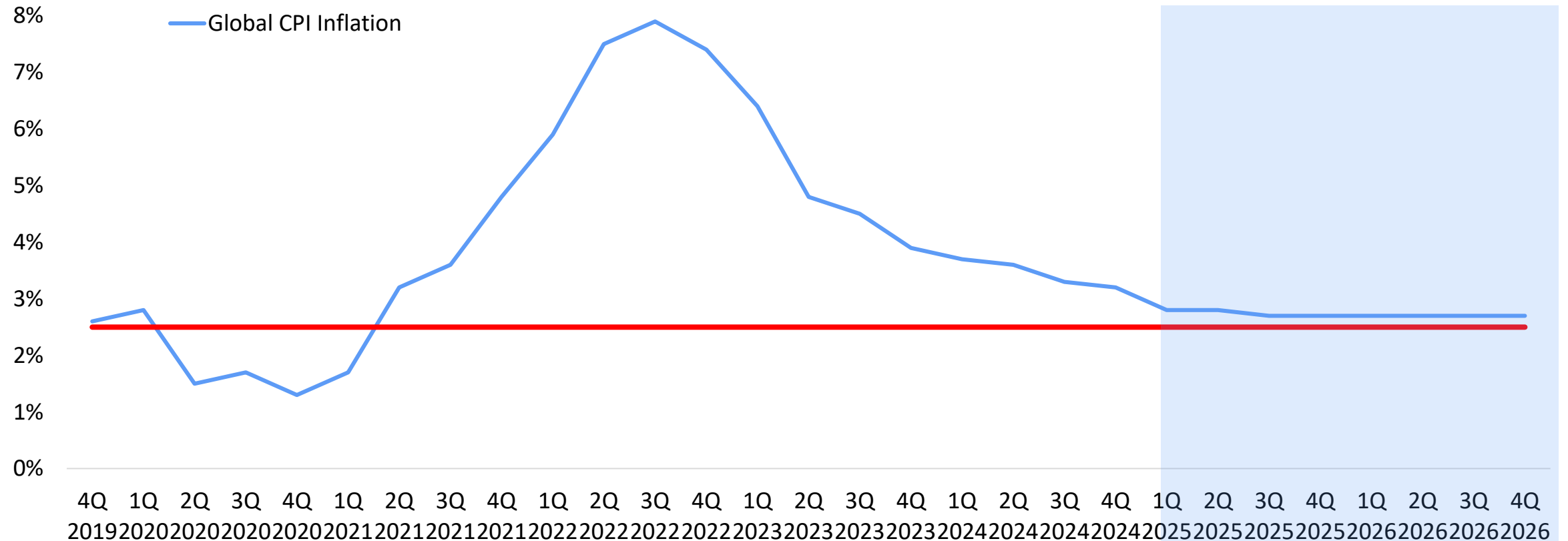
What's Next

Global & Local

- Global Inflation Set to Remain Above Target Through 2026
- China knows - How to play the tariff wars game !
- Gold Rally Has Long Legs to Go
- BRICS+ Group is in Expansion Mode

Global Inflation Set to Remain Above Target Through 2026

Global Inflation YoY



China Knows How to Play This Game !

Yuan Depreciated Throughout the 2018-19 Trade War to support exports

- Retaliatory tariffs
- Currency depreciation and export diversification
- Export restrictions and U.S. company crackdowns
- Fiscal stimulus



Gold Rally Has Long Legs to Go

Gold All-Time High Breakout Analog

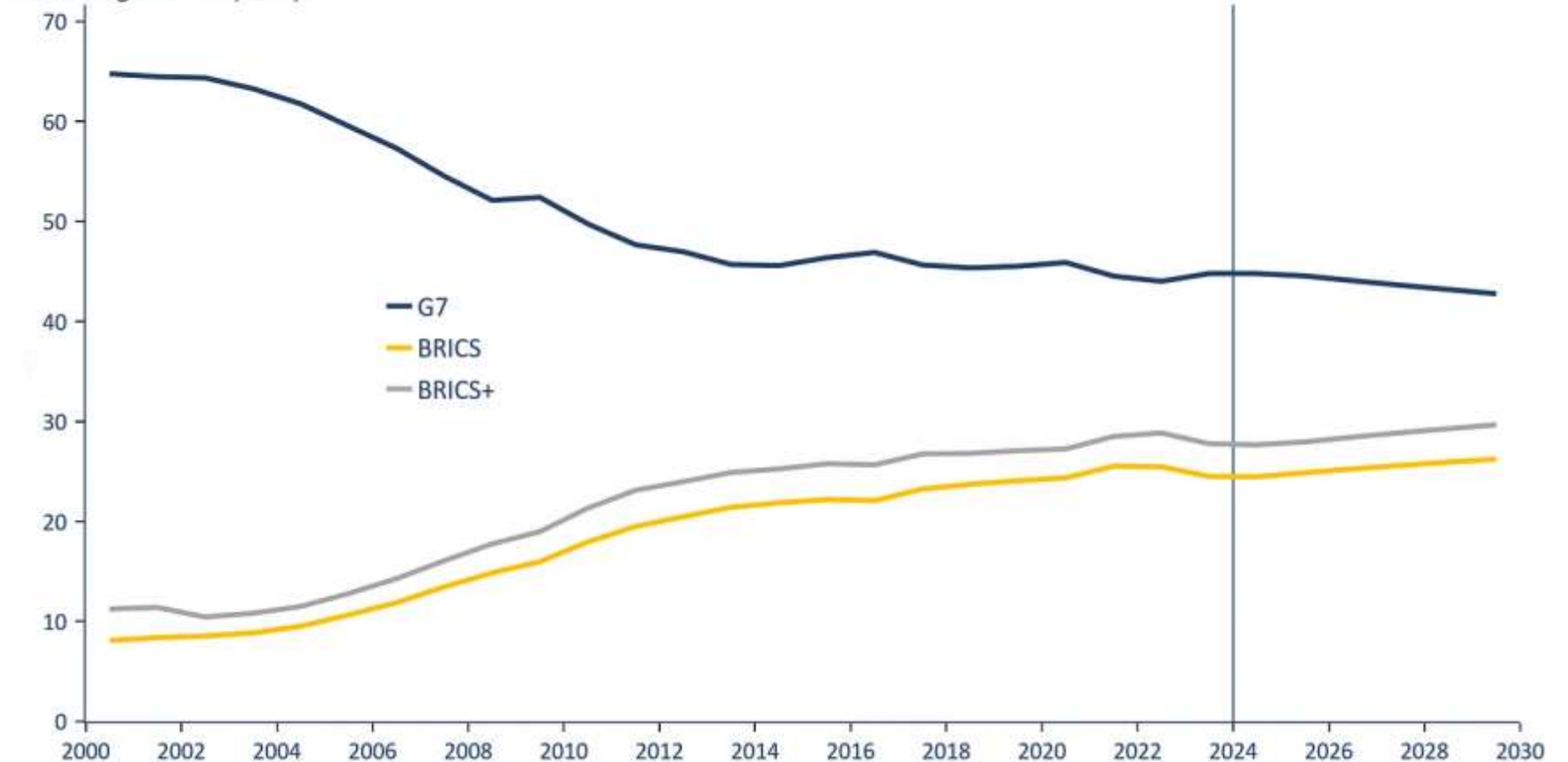
Historical analysis of major gold breakouts (1972, 1978, 2007) suggests that Gold may rally further in 2025



BRICS+ are Gaining Traction

The BRICS+ group now accounts for ~28% of global GDP

Share of global GDP, USD, %



The BRICS group continues to expand. Indonesia joined as a full member in January, joining Egypt, Ethiopia, Iran, and the UAE as new members. There are also associate members such as Malaysia, Vietnam, Thailand, and Nigeria; and other countries have been invited, such as Saudi Arabia.

What's Next

Outlook for February

- RBI Monetary Policy : Growth & Inflation Projections
- Rates are Headed Lower In India
- Indian 10 Year Treasury Yields to Fall to 6.50% By QIFY26
- Rupee to Stabilize in The 87 - 88.5 Band
- Emerging Markets are Gaining Momentum
- India to Outperform Emerging Markets
- Nifty 500 Valuation Back To Long Term Averages
- Economic Calendar February 2025

RBI Monetary Policy : Growth & Inflation Projections

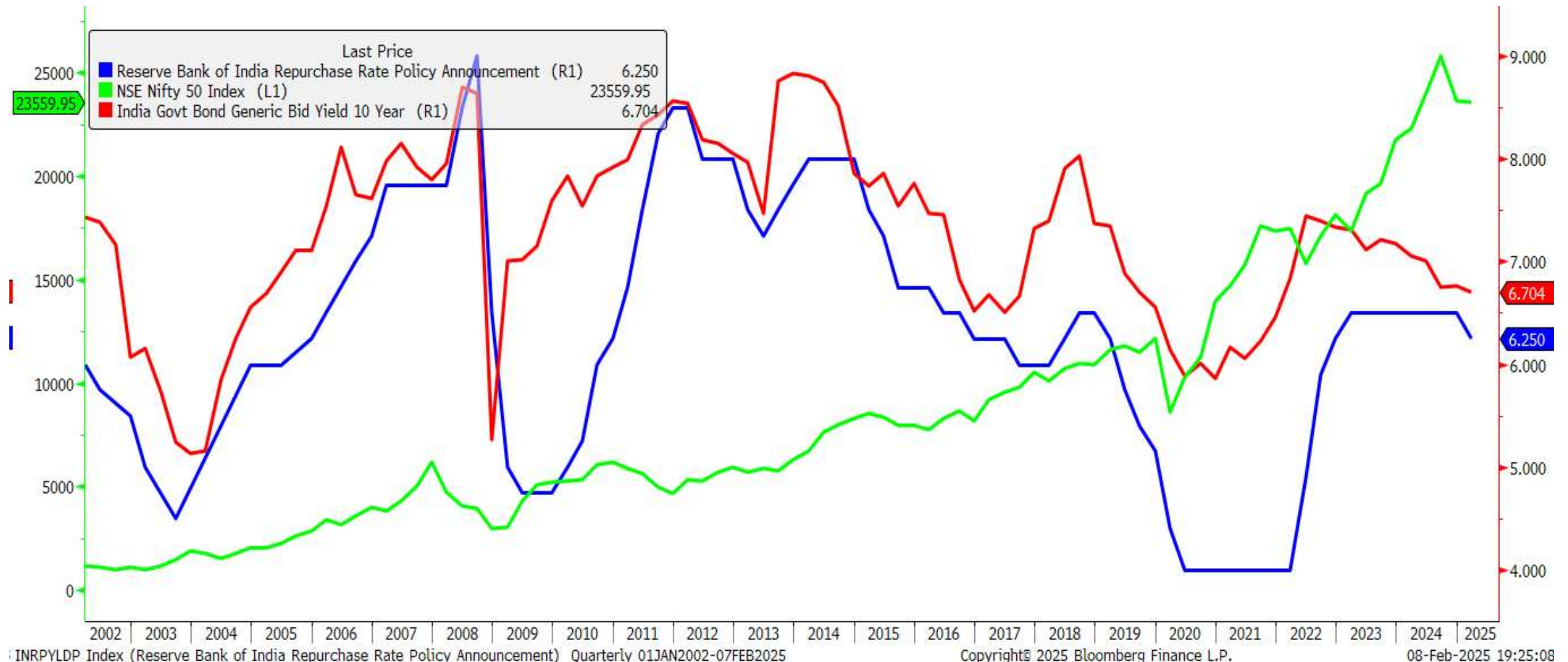
GDP Growth Projections (YoY %)

Period	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26	FY25F
RBI (February Projection)	6.70	5.40	-	-	6.70	7.00	6.40
RBI (December Projections)	6.70	5.40	6.80	7.20	6.90	7.30	6.60

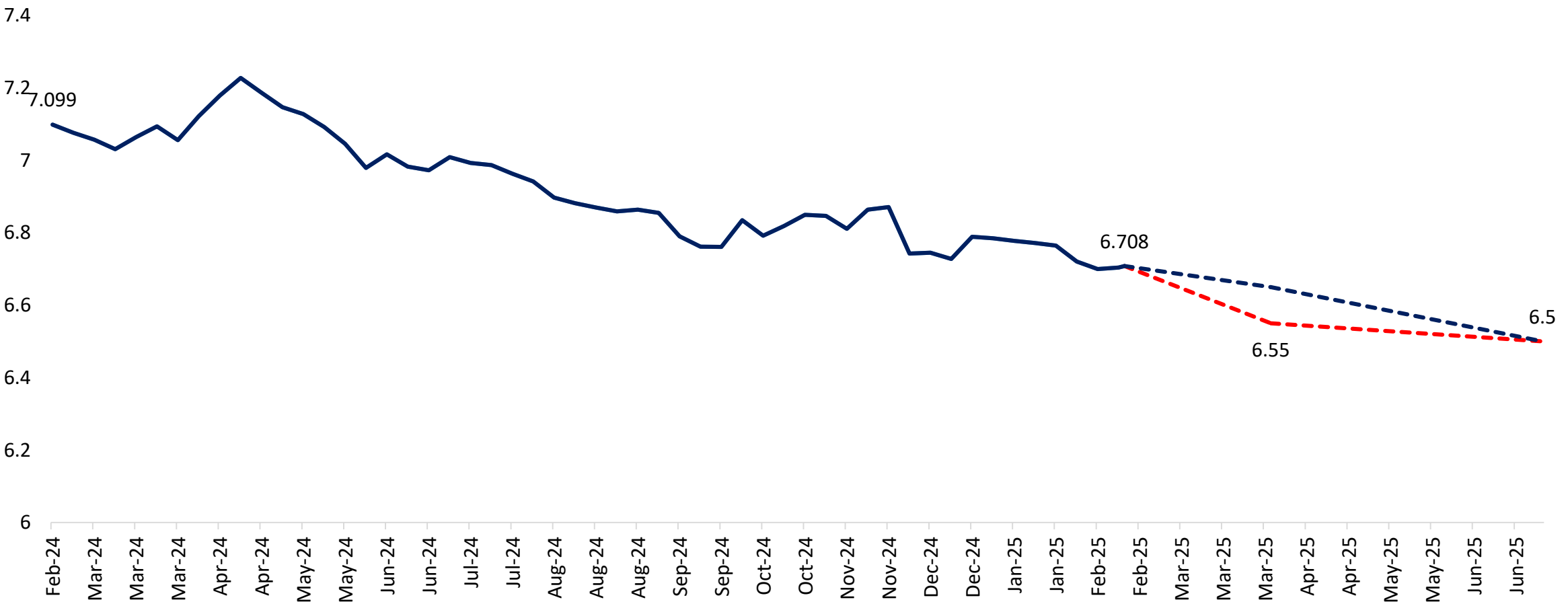
Inflation Projections (YoY %)

Period	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26	FY25F	FY26F
RBI (February Projection)	4.9	4.2	5.6	4.4	4.5	4.0	4.8	4.2
RBI (December Projections)	4.9	4.2	5.6	4.5	4.6	4.0	4.8	-

Rates are Headed Lower in India

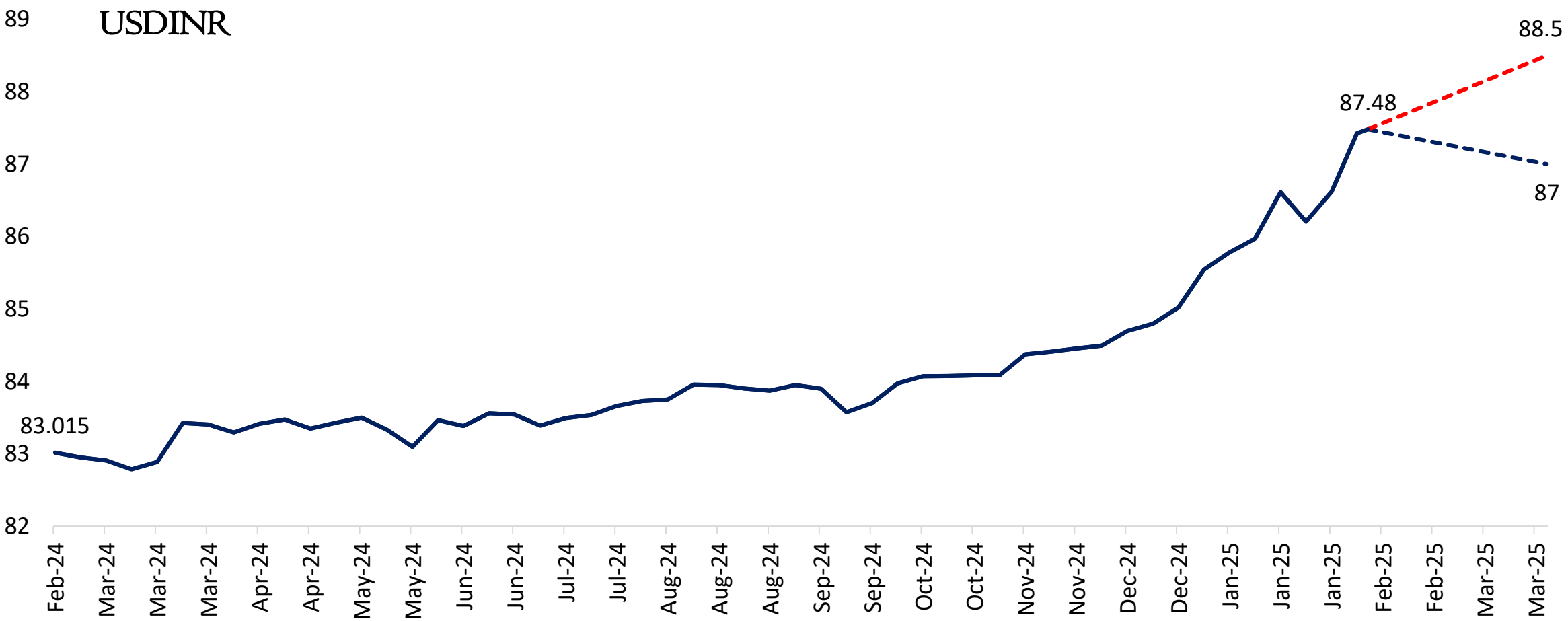


Indian 10 Year Treasury : 6.50% By QIFY26



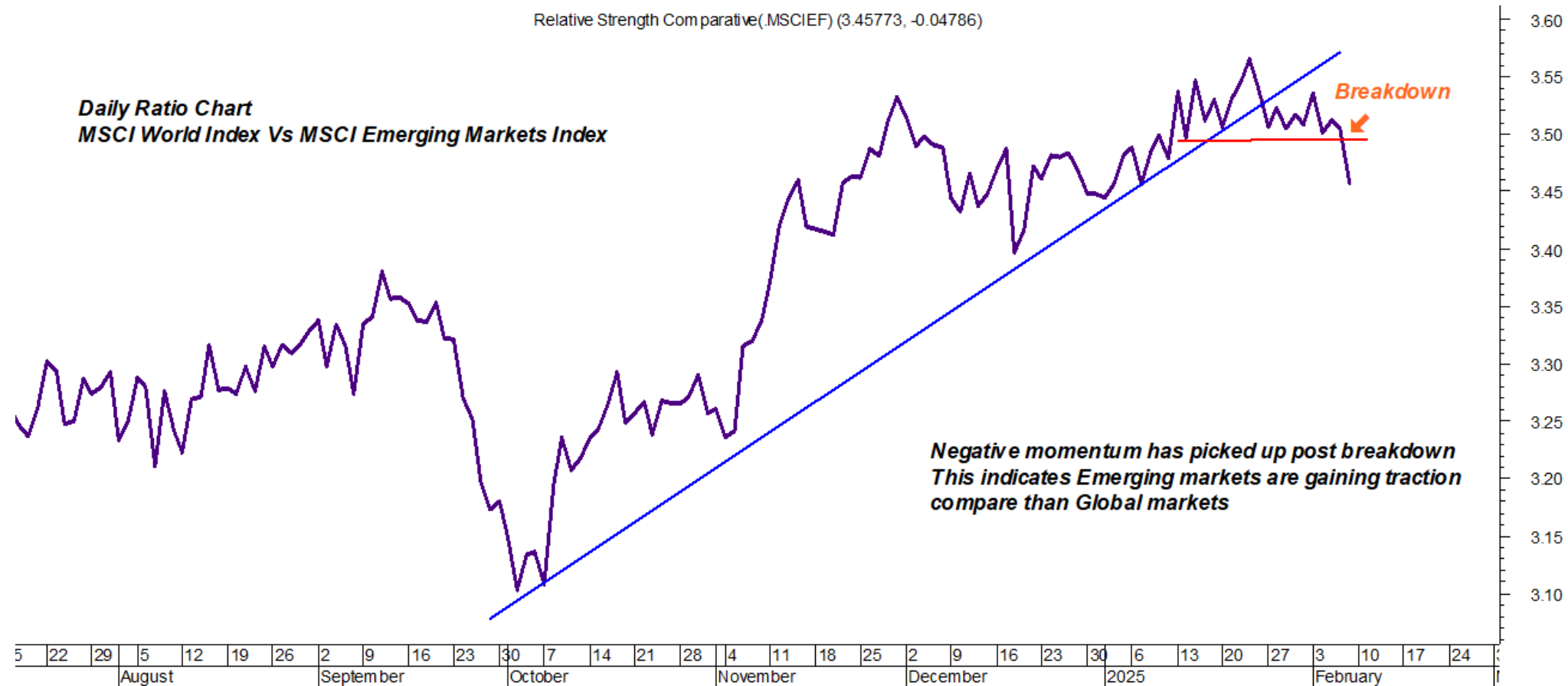
Source: Bloomberg, HSL Prime Research

Rupee to Stabilize in The 87 To 88.5 band

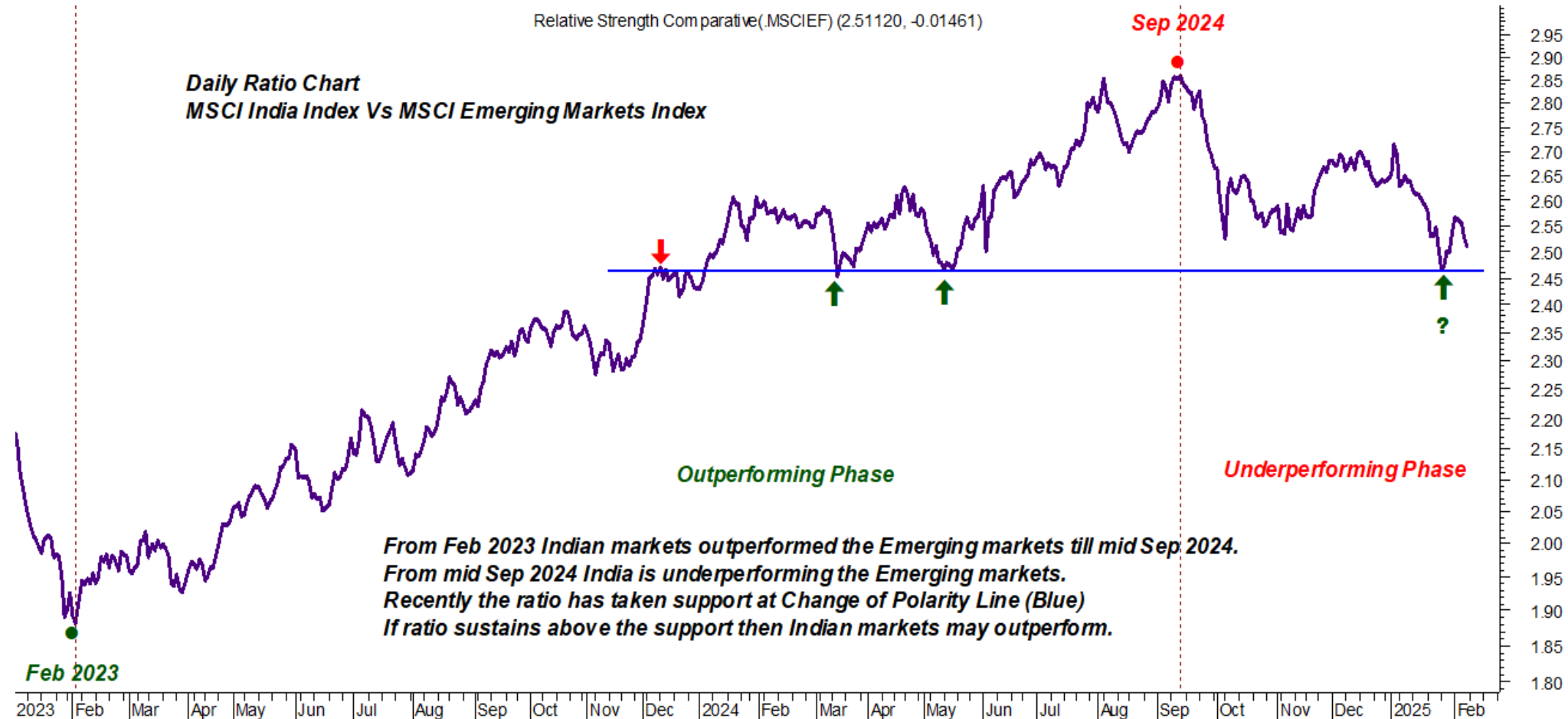


Source: Bloomberg, HSL Prime Research

Emerging Markets Are Gaining Momentum



India's Underperformance Vs Emerging Markets



Valuation of NIFTY 500 back to Long-Term Averages



Economic Calendar February 2025

Monday	Tuesday	Wednesday	Thursday	Friday
3 February	4 February	5 February	6 February	7 February
Japan, China, India, EU, UK, US: Manufacturing PMI EU: CPI US: ISM Mfg., Construction Spending	US: JOLTs Job opening, Factory Orders, Durable Goods Orders	Japan, China, India, EU, UK, US: Service & Composite PMI US: ADP Employment, Trade Balance, MBA Mortgage Application, ISM Service	UK: Construction PMI, BoE Policy EU: Retail sales US: Challengers Job Cuts, Initial & Continuing Jobless Claims	India: RBI Policy US: Change in Non-farm Payrolls, Unemployment Rate, Uni. of Mich. Sentiment, Wholesale Inventories
10 February	11 February	12 February	13 February	14 February
Japan: BoP Current Account Balance EU: Sentix Consumer Confidence	US: NFIB Small Busi. Optimism China: BoP Current Account Balance	India: IIP, CPI, Trade Balance US: MBA Mortgage Application, CPI US: Federal Budget	UK: IIP, Manufacturing Production, Trade Balance, GDP EU: Trade Balance US: Initial & Continuing Jobless Claims	India: WPI EU: GDP, Employment US: IIP, Capacity Utilisation, Mfg. (SIC) Production, Business Inventories
17 February	18 February	19 February	20 February	21 February
Japan: GDP, IIP EU: Trade Balance	UK: Employment Change, Claimant Counts, Jobless claims EU: ZEW Survey US: Empire Mfg., NAHB Housing Market Ind.	Japan: Trade Balance China: New Home Sales UK: CPI, RPI, HPI EU: Current Account US: MBA Mortgage, Housing Starts, Building Permits, FOMC Minutes	China: 1 & 5 Yr LPR EU: Construction Output US: Philadelphia Fed Bus. Outlook, Initial & Continuing Jobless Claims EU: Consumer Confidence	Japan: Natl CPI Japan, India, UK, EU, US: Flash PMI US: Uni. Of Mich. Sentiment, Existing Home Sales
24 February	25 February	26 February	27 February	28 February
EU: CPI US: Chicago Fed Nat Activity, Dallas Fed Mfg. Activity	US: CBI Consumer Confidence, Richmond Fed. Mfg. Index	Japan: Leading Index US: MBA Mortgage Applications, New Home Sales, Building Permits	EU: Consumer Confidence US: GDP, Core PCE, Durable Goods Orders, Initial & Continuing Jobless Claims, Pending Home Sales	Japan: IIP, Retail Sales India: GDP, GVA, Fiscal Deficit, Eight Core Infrastructure US: Personal Income & Spending, Advance Goods Trade Balance, Wholesale Inventories, Nationwide House

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