

Equity Market Review

March, 2025



- ◆ Major equity indices saw a strong bounce back in March 2025 post the drop in February with BSE Sensex and NSE Nifty gaining 5.8%/6.3%, respectively for the month. Driven by the sharp correction since October 2024, Sensex / Nifty returned a modest 5% return during FY25.
- ◆ Broader markets outperformed with NSE Midcap Index gaining 7.7% and the BSE Smallcap index gaining 8.3% for the month. This helped both Midcap and Smallcap indices close FY25 with a 8% gain.
- ◆ All sector indices except IT ended positive in March. Power and Capital Goods were the best performing sectors followed by Oil & Gas and Metals. Banks, Healthcare and Realty also outperformed the Nifty. FMCG and Autos also delivered positive returns but underperformed the Nifty.



Domestic Indices	Last Close	1 Month (Change)	CYTD 25 (Change)
BSE Sensex TR	120211	5.8%	-0.8%
Nifty 50 TR	35054	6.3%	-0.3%
BSE 200 TR	13573	7.1%	-2.8%
BSE 500 TR	42835	7.3%	-4.4%
NSE Midcap TR	24204	7.7%	-9.5%
BSE Smallcap TR	57781	8.3%	-15.4%
NSE Large & Midcap 250 TR	19096	7.4%	-5.5%
BSE India Infrastructure Index TR	810	12.5%	-6.2%
MSCI India USD	992	9.4%	-3.1%
MSCI India INR	2750	6.8%	-3.3%
INR - USD	85.5	-2.3%	-0.2%
Crude Oil	75	2.1%	0.1%

Global Market Update

MSCI World index saw a sharp correction in Mar, down 4.6% led by 5.8% drop in the US (S&P 500). MSCI Europe and MSCI Japan both declined only 0.7% supported by the weakening USD. MSCI EM was up 0.4% supported by a 1.9% gain in MSCI China. Crude oil price gained 2.1% in March.

International Indices (in USD)	Last Close	1 Month (Change)	CYTD 25 (Change)
MSCI World	3,629	-4.6%	-2.1%
Dow Jones	42,002	-4.2%	-1.3%
S&P 500	5,612	-5.8%	-4.6%
MSCI EM	1,101	0.4%	2.4%
MSCI Europe	2,200	-0.7%	9.9%
MSCI UK	1,321	0.1%	8.5%
MSCI Japan	3,908	-0.7%	-0.6%
MSCI China	74	1.9%	14.7%
MSCI Brazil	1,323	5.8%	12.4%



- ◆ After 2 months of heavy selling, FIIs had a small inflow of US\$0.2 bn into Indian equities in Mar. DII inflow was US\$4.3 bn led by insurance inflow of US\$3.6 bn while MFs invested US\$0.7 bn only.
- ◆ During FY25, DIIs invested US\$71.6 bn with MFs investing US\$55 bn (vs US\$24 bn in FY24) while Insurance also contributed US\$16.6 bn (vs only US\$1 bn in FY24), while FII's withdrew US\$15.6 bn from the Indian market versus an inflow of US\$25 bn in FY24.
- ◆ February CPI softened further to 3.6% yoy from 4.3% (YoY) in January due to moderation in food price inflation. Core-core inflation (i.e. core inflation ex petrol and diesel) increased to 4.3% in Feb vs 3.9% yoy in Jan.
- ◆ Industrial production growth (IIP) improved to 5% (YoY) in January from 3.5% (YoY) in December.
- ◆ Gross GST revenue collection was Rs.1.96 tn in March 2025, up 10% (YoY).
- ◆ Other key developments during the month – On April 2, US administration announced significant reciprocal tariffs at differing rates on all countries.

Valuations

Nifty consensus EPS estimate for CY25 remained unchanged and post the market recovery in March, Nifty now trades on 19.7x 1-year forward PE. This is now in-line with its 5-year average and only a 5% premium to its 10-year average. Valuations in Midcap and small cap space have also moderated following the sharp correction over Jan and Feb.

Macro View

In our view, global macro environment remains challenging with heightened geo-political and economic uncertainties. Recent announcement of large reciprocal tariffs by the US administration could significantly impact US and global growth outlook, if the tariffs stay in place. For India, GDP growth has improved to 6.2% (YoY) in Q3FY25. We believe government has tried to partly address the slowdown in private consumption through the income tax rate cuts in the Union Budget. However, a pickup in private capex will be critical as government capex is moderating. Central Government capex spend is now expected to grow only at 7% (YoY) in FY25 and at 10% (YoY) in FY26. RBI is also now trying to ease policy rates.

Outlook

In the near term, there is a certain level of slowdown in India's growth momentum, however we believe longer term outlook remains strong. We expect India's investment cycle to be on a medium-term uptrend supported by government investment in infrastructure and manufacturing, pickup in private investments and a recovery in real estate cycle. We expect higher private investments in renewable energy and related supply chain, localization of higher-end technology components, and India becoming a more meaningful part of global supply chains to support faster growth. Post the recent correction, Nifty valuations are now in-line with its 5/10-year average. We remain constructive on Indian equities supported by the more robust medium term growth outlook.



Key Drivers For Future

On the headwinds, we have

Weak global growth is likely to remain a headwind on demand going forward.

Global policy uncertainty: Risk of tariffs and general policy uncertainty, mercantilist policies of certain countries and geo-political conflicts are likely to be a headwind to private investments.

Other factors / risks: Weak monsoon.

We see the following positives for the Indian market:

Recovery in private capex: Industry capacity utilization based on RBI survey data is at a reasonably high level and indicates potential for increase in private capex going forward. Also, continued expansion of the Production Linked Incentive (PLI) scheme is likely to further increase private investments in targeted sectors. We also expect higher private capex in renewable energy.

Recovery in real estate cycle: Real Estate remains another strong medium term growth driver having weathered the impact of higher interest rates. Demand trends in top metro cities remain strong and inventory levels have declined.

Global commodity prices: Benign global prices of crude oil and fertilizers has been a positive for India from inflation, fiscal deficit and corporate margins perspective in FY24-25.

Note: Returns mentioned in the report are the Total Return or TR variants of the respective domestic indices. USD return for global indices. Views provided above are based on information in public domain and subject to change. Investors are requested to consult their financial advisor for any investment decisions.

Source: Bloomberg, MOSL & HSBC MF estimates as on March 2025 end or as latest available.

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HSBC Mutual Fund, 9-11th Floor, NESCO - IT Park Bldg. 3, Nesco Complex, Western Express Highway, Goregaon East, Mumbai 400063. Maharashtra.

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