


Tariff uncertainty reaches Indian shores

July, 2025



- ◆ Indian equity indices saw a correction in Jul'25 after 4 months of up-move with BSE Sensex and NSE Nifty both declining 2.8% respectively.
- ◆ Broader markets also saw a similar correction with NSE Midcap Index down 2.7% and BSE Smallcap Index losing 2.2% for the month.
- ◆ Healthcare was the best performing sector followed by FMCG. All other sectors delivered negative returns for the month. IT and Real Estate were the worst performing sectors. Capital Goods, Oil & Gas, Power, and Banks also underperformed the Nifty. Metals and Autos also delivered negative returns in July.



Domestic Indices	Last Close	1 Month (Change)	CYTD 25 (Change)
BSE Sensex TR	126978	-2.8%	4.8%
Nifty 50 TR	37159	-2.8%	5.7%
BSE 200 TR	14487	-2.8%	3.7%
BSE 500 TR	46160	-2.7%	3.0%
NSE Midcap TR	27110	-2.7%	1.4%
BSE Smallcap TR	66340	-2.2%	-2.8%
NSE Large & Midcap 250 TR	20826	-2.7%	3.0%
BSE India Infrastructure Index TR	848	-3.8%	-1.8%
MSCI India USD	1028	-5.2%	0.4%
MSCI India INR	2921	-3.2%	2.7%
INR - USD	87.6	2.2%	2.3%
Crude Oil	73	7.3%	-2.8%

Global Market Update

MSCI World index rose 1.2% in Jul led by US (S&P 500) rising 2.2%. However, MSCI Europe declined 1.8% and MSCI Japan declined 1.4%. MSCI EM also rose 1.7% supported by a 4.5% rise in MSCI China. Crude oil declined 2.8% in July.

International Indices (in USD)	Last Close	1 Month (Change)	CYTD 25 (Change)
MSCI World	4,076	1.2%	9.9%
Dow Jones	44,131	0.1%	3.7%
S&P 500	6,339	2.2%	7.8%
MSCI EM	1,243	1.7%	15.6%
MSCI Europe	2,372	-1.8%	18.4%
MSCI UK	1,432	0.8%	17.7%
MSCI Japan	4,284	-1.4%	9.0%
MSCI China	78	4.5%	20.7%
MSCI Brazil	1,373	-7.0%	16.7%



- ◆ FII's again turned net sellers in July after 4 months of positive flows. FIIs sold US\$2.9bn in Indian equities while DII's invested US\$7.1bn. Domestic MFs invested US\$5.1bn while insurance inflow was US\$2.0bn.
- ◆ US government announced a 25% minimum import tariff on Indian goods from Aug 1, 2025. This is much higher than previously anticipated and at the higher end of the range imposed on most countries by the US. However, negotiations are still on-going as per the Indian government.
- ◆ CPI slowed to a more than 6 year low of 2.1% yoy down from an already low 2.8% yoy in May due to continued softness in food prices. Core-core inflation (i.e. core inflation ex petrol and diesel) however increased to 4.6% yoy in Jun from 4.3% yoy in May.
- ◆ Industrial production growth (IIP) slowed to 1.5% yoy in June from 1.9% yoy in May.
- ◆ Gross GST revenue collection was Rs 1.96 tn in July'25, up only 7.5% yoy.
- ◆ Other key developments during the month – India signed a Free trade agreement (FTA) with United Kingdom in July. As a part of this agreement UK will eliminate tariff on 99% of Indian goods exported to UK versus 73% currently.

Valuations

Nifty consensus EPS estimate for CY25/26 saw a -3%/+3% change respectively during July as per Bloomberg. Nifty now trades on 20.4x 1-year forward PE. This is now in-line with its 5-year average and a ~10% premium to its 10-year average. Valuations in midcap and small cap space have also recovered following the sharp rally over the last few months.

Macro View

In our view, global macro environment remains challenging with heightened geo-political and economic uncertainties. Reciprocal tariffs announced by the US administration is likely to impact US and global growth outlook. Economists estimate US tariffs could have a modest 0.2%-0.4% negative impact on India's GDP growth. The government will potentially need to announce additional measures to offset this impact. While government capex is moderating, private capex may take time to recover given global uncertainties. RBI is now trying to aggressively ease policy rates and boost liquidity. We believe government has tried to partly address the slowdown in private consumption through the income tax rate cuts in the Union Budget. Forecast of an above normal monsoon is also a positive for rural demand.

Outlook

We believe growth cycle in India may be bottoming out. Interest rate and liquidity cycle, decline in crude prices and normal monsoon are all supportive of a pick-up in growth going forward. Although, global trade related uncertainty remains a headwind to private capex in the near term, 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. Nifty valuations are modestly above their 5 and 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:** Sharp slowdown in government capex.

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.

- **Supportive 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, Data as on July 2025 end or as latest available.

Disclaimer: This document has been prepared by HSBC Asset Management (India) Private Limited (HSBC) for information purposes only and should not be construed as i) an offer or recommendation to buy or sell securities, commodities, currencies or other investments referred to herein; or ii) an offer to sell or a solicitation or an offer for purchase of any of the funds of HSBC Mutual Fund; or iii) an investment research or investment advice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and / or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information / opinion herein. This document is intended only for those who access it from within India and approved for distribution in Indian jurisdiction only. Distribution of this document to anyone (including investors, prospective investors or distributors) who are located outside India or foreign nationals residing in India, is strictly prohibited. Neither this document nor the units of HSBC Mutual Fund have been registered under Securities law/Regulations in any foreign jurisdiction. The distribution of this document in certain jurisdictions may be unlawful or restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions. If any person chooses to access this document from a jurisdiction other than India, then such person do so at his/her own risk and HSBC and its group companies will not be liable for any breach of local law or regulation that such person commits as a result of doing so.

Investors are requested to note that as per SEBI (Mutual Funds) Regulations, 1996 and guidelines issued thereunder, HSBC AMC, its employees and/or empaneled distributors/agents are forbidden from guaranteeing/promising/assuring/predicting any returns or future performances of the schemes of HSBC Mutual Fund. Hence please do not rely upon any such statements/commitments. If you come across any such practices, please register a complaint via email at investor.line@mutualfunds.hsbc.co.in.

The above information is for illustrative purposes only. The sector(s) mentioned in this document do not constitute any research report nor it should be considered as an investment research, investment recommendation or advice to any reader of this content to buy or sell any stocks / investments.

Document intended for distribution in Indian jurisdiction only and not for outside India or to NRIs. HSBC MF will not be liable for any breach if accessed by anyone outside India. For more details, [click here](#) / refer website.

© Copyright. HSBC Asset Management (India) Private Limited 2025, ALL RIGHTS RESERVED.

HSBC Mutual Fund, 9-11th Floor, NESCO - IT Park Bldg. 3, Nesco Complex, Western Express Highway, Goregaon East, Mumbai 400063. Maharashtra. GST - 27AABCH0007N1ZS | Website: www.assetmanagement.hsbc.co.in