

MONTHLY UPDATE

APRIL 2025



Sar utha ke jiyo!

Market Outlook

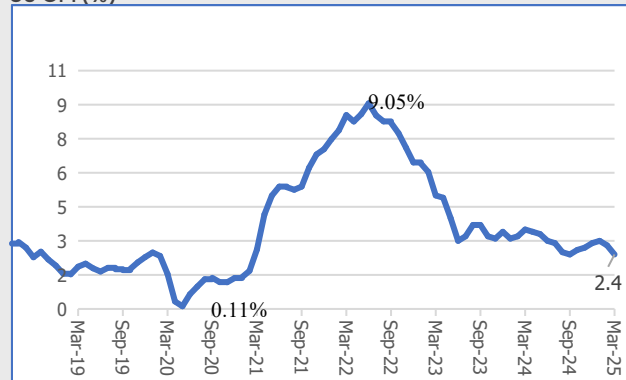
HDFC Life – Monthly Update (May 2025)



Global Macro Review

US CPI (%)

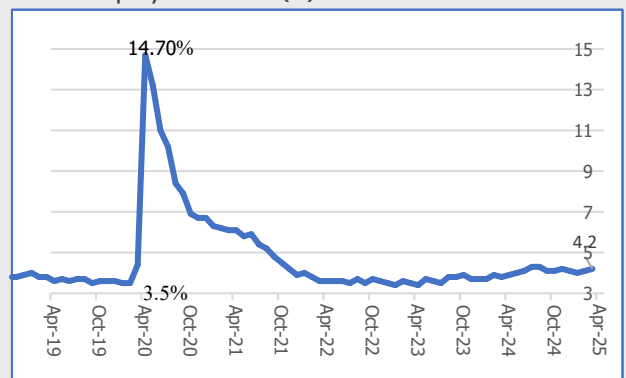
US CPI (%)



■ US CPI inflation eased to 2.4% YoY in March (below expectations of 2.6%), down from 2.8% YoY in previous month, driven by slowing energy prices and core inflation pressures. Overall the release came in softer than expected across all categories. However, the upside risk to the inflation remains from the looming threat of tariffs to goods inflation. Hence the FOMC is expected to remain in wait and watch mode till there is clarity on tariff impact .

US Unemployment Rate (%)

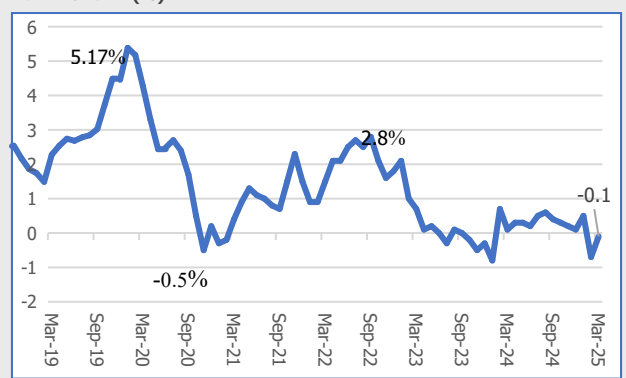
US Unemployment Rate (%)



■ US Non Farm Payrolls came in above expectations in April printing at 177K (exp: 130K) boosted by strong private payroll. However public sector hiring remained weak driven by continued cuts in the federal government sector though the cuts may still not be fully captured in monthly data release yet. The unemployment rate remained steady at 4.2% in April, whereas as the participation rate picked up marginally on a sequential basis to 62.6% showing that the supply side of the labour market is strong. Employment decision made after April 2nd tariff announcement will only start to be reflected in May data and beyond, and hence, large downside risk may materialize later.

China CPI (%)

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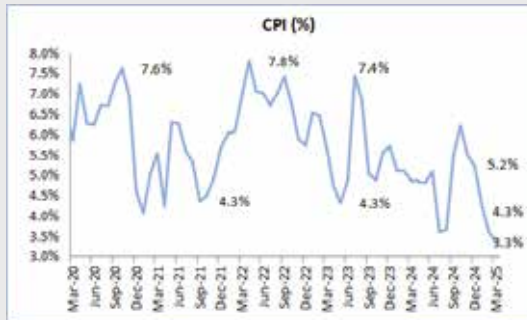


■ China's consumer prices dropped by 0.1% YoY in April 2025, maintaining the same pace for the second month and matching market expectations. It marked the third consecutive month of consumer deflation, weighed by the combined effects of ongoing trade tensions with the US, weak domestic demand, and persistent employment uncertainty.

India Macro Review

CPI Inflation %

CPI Inflation %

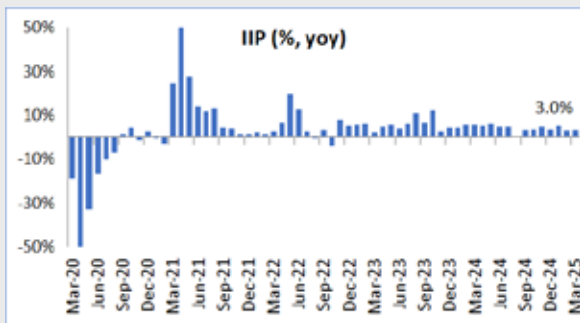


Source: MOSPI

- Inflation (CPI) for Mar'25 moderated to 3.3% vs. 3.6% in Feb'25 as food CPI, which constitutes 45.9% of the index, fell to 2.9% in Mar'25 vs. 3.8% in Feb'25.
- Core CPI excluding food and fuel which constitutes 54% of CPI stood at 4.1% in Mar'25.

Industrial Production Index (IIP)

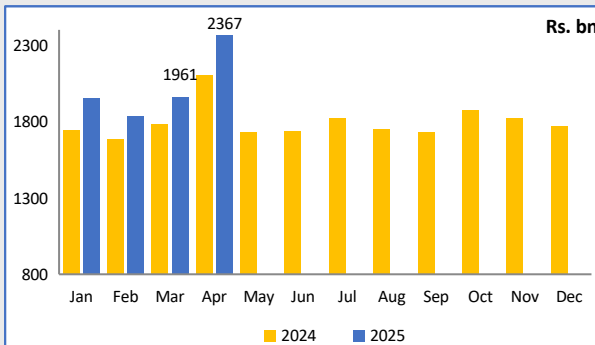
Industrial Production Index (IIP)



- Industrial Production (IIP) grew by 3% Mar'25 vs. 2.7% growth in Feb'25 as Manufacturing output accelerated to 3% in Mar'25 vs. 2.8% in Feb'25. Electricity output accelerated to 6.3% in Mar'25 vs. 3.6% in Feb'25 while Mining output fell to 0.4% in Mar'25.
- The increase in the Industrial production index reflects increasing momentum in production activities. However, monthly IIP numbers can be volatile and difficult to draw a trend from the same.

GST Collection (Rs. bn)

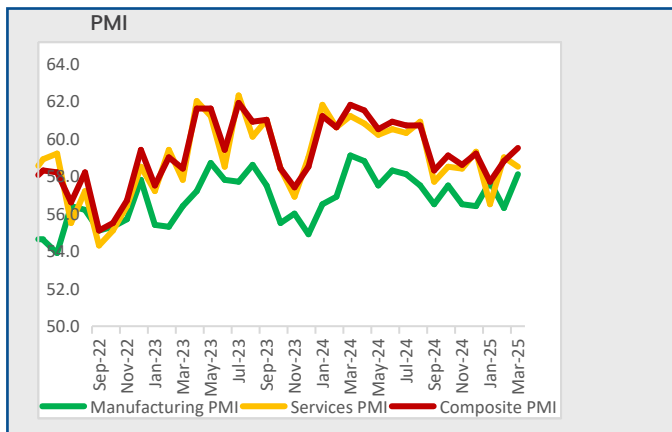
GST Collection (Rs. bn)



- GST revenues for the month of Mar'25 came to Rs. 1,961bn showing a 9.9% YoY increase vs. Rs. 1,785bn in Mar'24.

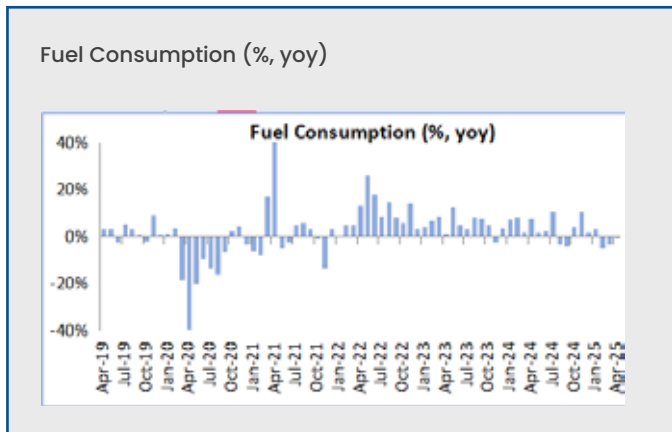
India Macro Review

PMI



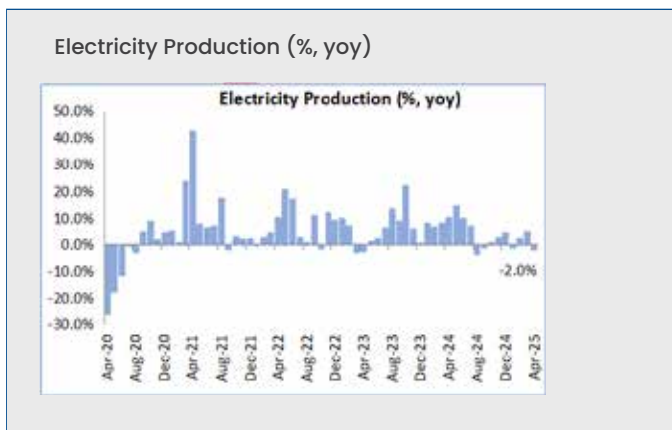
- PMI (manufacturing) was marginally higher at 58.2 in Apr'25 from 58.1 in Mar'25. PMI (Services) rose to 58.7 in Apr'25 from 58.5 in Mar'25.
- Notably, PMI continuing in the expansion zone (≥ 50) indicates the continued strength in orders pipeline and production, despite a slowdown seen in the exports.

Fuel consumption YoY Growth %



- Fuel consumption declined by 0.2% yoy in Apr'25, following 3.1% yoy contraction in Mar'25.
- Notably, within fuel category, diesel consumption grew by 4.4% yoy in Apr'25 vs. 0.9% yoy surge in Mar'25. However, Consumption for Petrol grew by 5.0% in Apr'25, following 5.7% growth in Mar'25.

Electricity Production YoY Growth %



- Electricity production contracted by 2.0% YoY in Apr'25 vs. 4.8% YoY increase in Mar'25.
- Erratic rains and resultant lower temperatures have lead to lower power demand

Equity Outlook and Positioning

Monthly Index performance

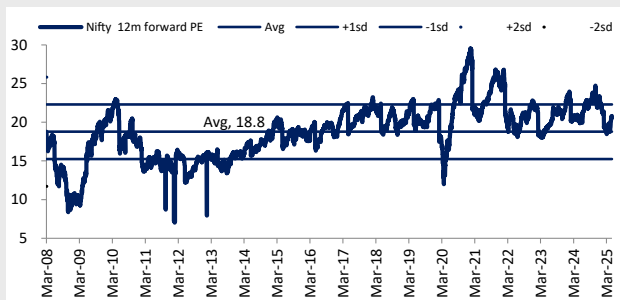
Monthly Index performance



- Equity markets were positive in Apr'25 with mid cap indices outperforming largecap and smallcaps. Nifty 50 closed the month with a return of 5% while CNX Midcap Index gave a return of 5.7% and Small Cap at 3%.
- Outperforming sectors included Consumer durables, Oil & gas, Banking, Auto and Real estate while the underperforming sectors included Metals, IT, Capital goods, Power and Pharma

Nifty Valuation (1 year forward PE)

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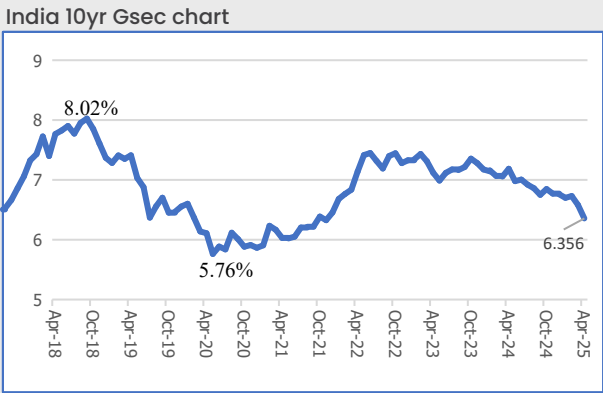


Source: Bloomberg

- Short term outlook for the equity markets looks uncertain and volatile. US tariffs negotiations with various trade partners are not yet settled and there is regular high frequency newsflow resulting in heightened volatility. Companies may not be able to fully pass on the impact of tariffs to the end customers and therefore, the impact will partially be absorbed between the OEM and vendors, resulting in margin pressures and potential downward revision in earnings. High levels of tariffs have raised the risk of recession in the US and certain other large economies. We believe market returns are likely to track earnings growth with limited change in market multiples.
- Indian markets trade at valuations of 21.5x FY26E and 18.7x FY27E P/E, which is higher than long term averages. Short-term challenges along with relatively higher valuations make us cautious in the short term despite having a positive view from a medium to long-term point of view

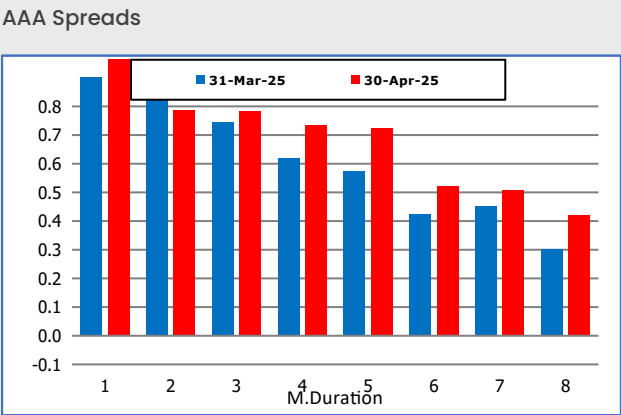
Debt Outlook and Positioning

India 10yr Gsec chart



■ The US Treasury yields were volatile during the month, as the 10-year yields reached highs of 4.58% partly due to dwindling foreign demand resulting from Trump’s aggressive policy, as also the recent macro-economic data, which continues to remain stronger than anticipated. However, with the announcement of 90 days pause on reciprocal tariffs we saw the 10-year UST retracing back from the high and closed at 4.16%, against 4.20% at the end of the previous month.

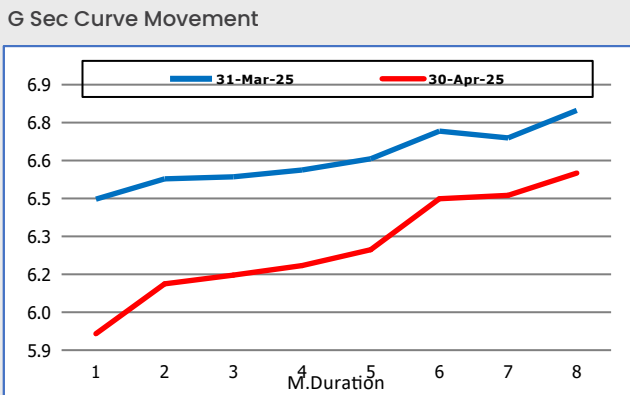
AAA Curve movement



■ In India, the 10yr bond yield eased during the month aided by surplus liquidity as RBI conducted OMO purchases, with INR 1.2trn purchases during the month and announced further OMOs amounting to INR 1.25trn to be conducted in the month of May. Favorable liquidity conditions along with lower CPI print aided the sharp fall in yields. India 10yr Gsec closed at 6.3% vs 6.58% at the end of previous month.

■ RBI in its recent policy reduced repo rate by 25bps for second consecutive time to 6% with a change in stance to ‘accommodative’ to support growth given global headwinds.

G Sec Curve Movement



■ The sharp rise in global uncertainty weighs heavily on growth outlook across almost all economies. The uncertainty is reflected in the volatility of the bond markets around the world. However, with RBI’s liquidity support and expectations of further rate cuts, Indian bond yields are expected to stay soft, though near term uncertainties may increase volatility in the short term.



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