

Dear Patron,

Welcome to this month's edition of our market commentary, where we reflect on key economic and market developments—both globally and within India.

June was marked by a swift turn in global sentiment. The month began on a tense note, as geopolitical escalation in the Middle East pushed crude oil higher, igniting fears of production and supply disruption. However, a ceasefire by month-end helped reverse the risk-off tone. This, coupled with weak U.S. growth data and dovish guidance from the Federal Reserve, triggered a broad rally in global equities, a correction in oil prices, and a softer U.S. dollar. The 10-year Treasury yield slipped by 20 bps in June to 4.25%, while the US dollar weakened materially setting the stage for renewed FII flows into emerging markets.

Amid this evolving backdrop, India stood out. A decisive pivot in monetary policy—through simultaneous repo and cash reserve ratio (CRR) cuts—signalled the Reserve Bank of India's (RBI) intent to support growth. The policy shift was further reinforced by a 9% monsoon surplus, falling oil prices, and resilient GDP prints — collectively strengthening the outlook for a more broad-based domestic recovery. Foreign investor interest also returned meaningfully, with over ₹20,000 crore of FII inflows recorded in the second half of June.

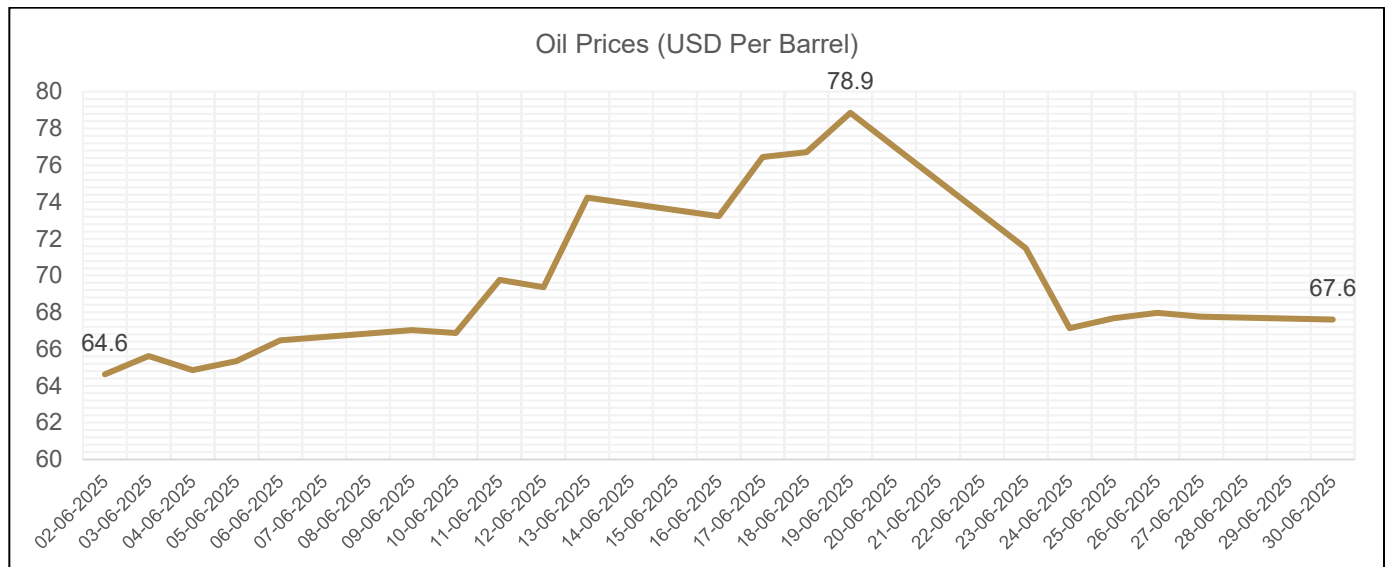
Indian equities responded accordingly. After a muted start to the year, benchmark indices rallied sharply through June. Rate-sensitive sectors—particularly financials, real estate, and autos—led the move, while broader markets outperformed large caps, reflecting improved liquidity and expanding market breadth.

Benchmark Indices	1 June - 19 June	25 June - 30 June	June 2025
BSE 500	(0.2)	2.2	3.4
BSE100	(0.1)	2.0	3.2
BSE Midcap 150	(0.3)	2.0	3.8
BSE Small cap 250	(0.2)	3.3	5.3

Source: Bloomberg, Elara Securities Research

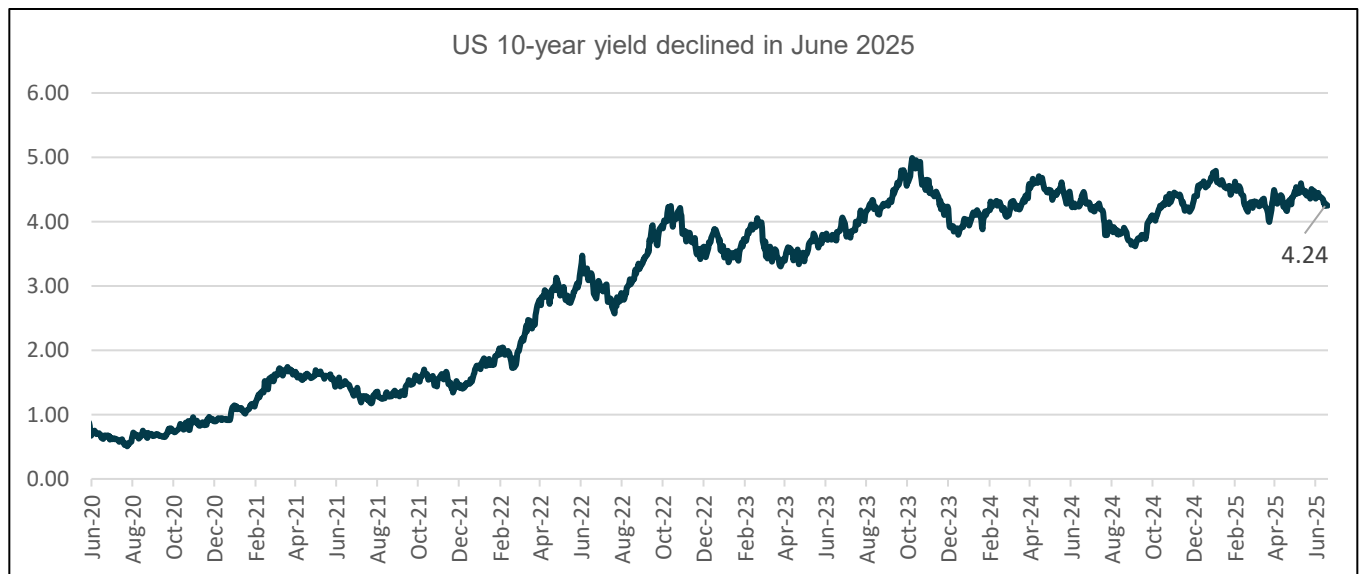
Global Market Update

Global markets in June navigated a sharp shift from risk-off to risk-on sentiment. The month opened with geopolitical tensions in the Middle East, as an Iran–Israel escalation pushed oil prices temporarily above USD 80/barrel, elevating inflation concerns. However, a ceasefire between Iran and Israel by June 25 led to a swift reversal in oil prices, which ended the month near the USD 67 per barrel-mark — helping calm markets and ease inflation expectations.



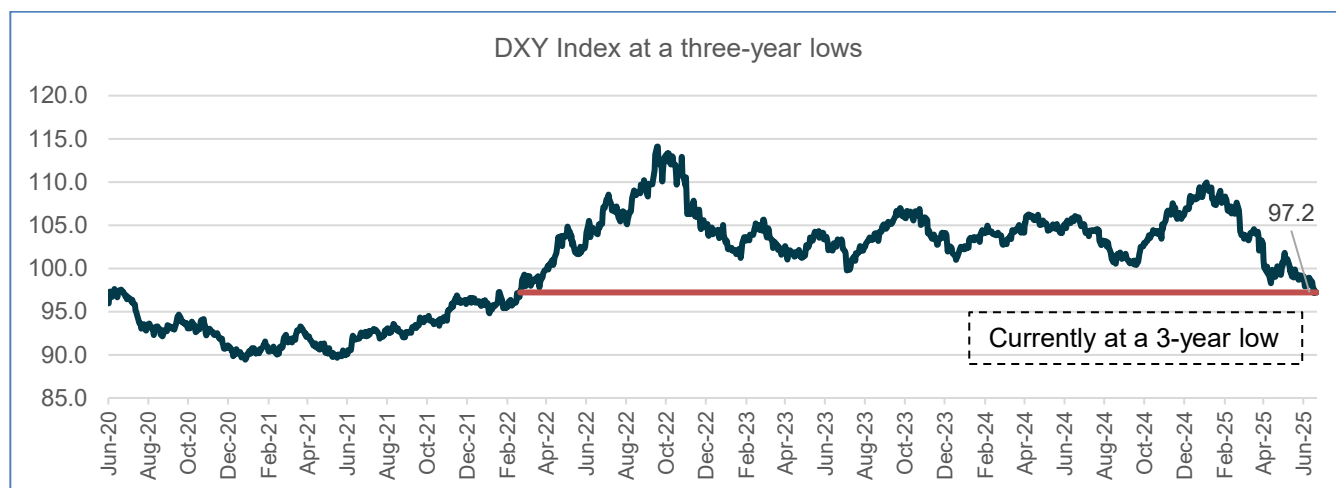
Source: Bloomberg

In the U.S., macro data signalled further slowdown in economic activity. Q1 GDP contracted by a marginal quarterly contraction, the first negative print in over two years. Although inflation remained above target, the Federal Reserve held rates steady at 4.25–4.50% and indicated two potential cuts in the second half of 2025.



Source: Bloomberg, Elara Securities Research

As a result, 10-year Treasury yields declined by 20bps in June, while the U.S. Dollar Index fell beneath 98 — its lowest in nearly three years.



Source: Bloomberg, Elara Securities Research

Investor positioning realigned as risk appetite recovered. Gold briefly touched record highs amid early geopolitical jitters but retreated once sentiment turned.



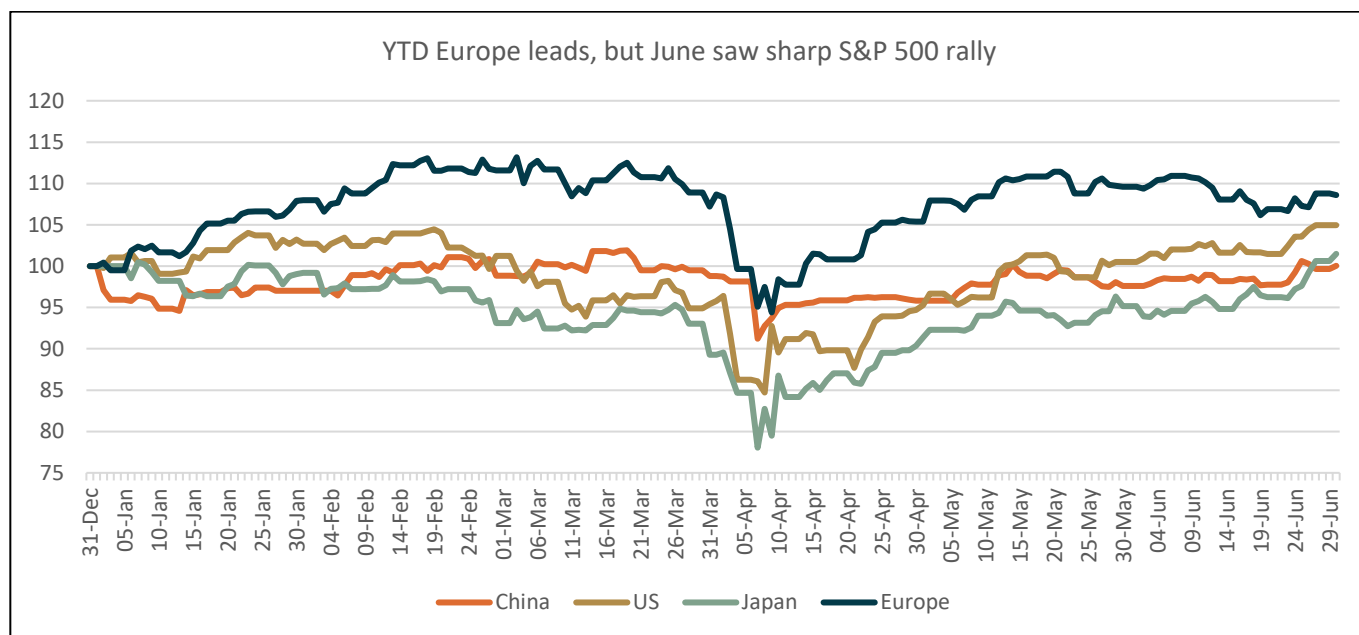
Source: Bloomberg

But we believe that this pause in surging gold prices is temporary. A combination of global factors like trade wars, geopolitical tensions and central banks gold purchases, could support gold prices this year.

U.S. equities ended June up 4.2%, led by a sharp rally after June 20, as sentiments turned supportive for equities. In contrast, European markets underperformed—despite lower energy prices and rising ECB easing expectations,

the Stoxx Europe 50 slipped nearly 1%, reflecting regional divergence in equity sentiment

Adding to the strategic backdrop, NATO's summit in The Hague marked a longer-term shift in global defence policy. Member nations committed to raising defence spending to 5% of GDP by 2035, reflecting growing concerns around global fragmentation, and reduced reliance on U.S. security guarantees.

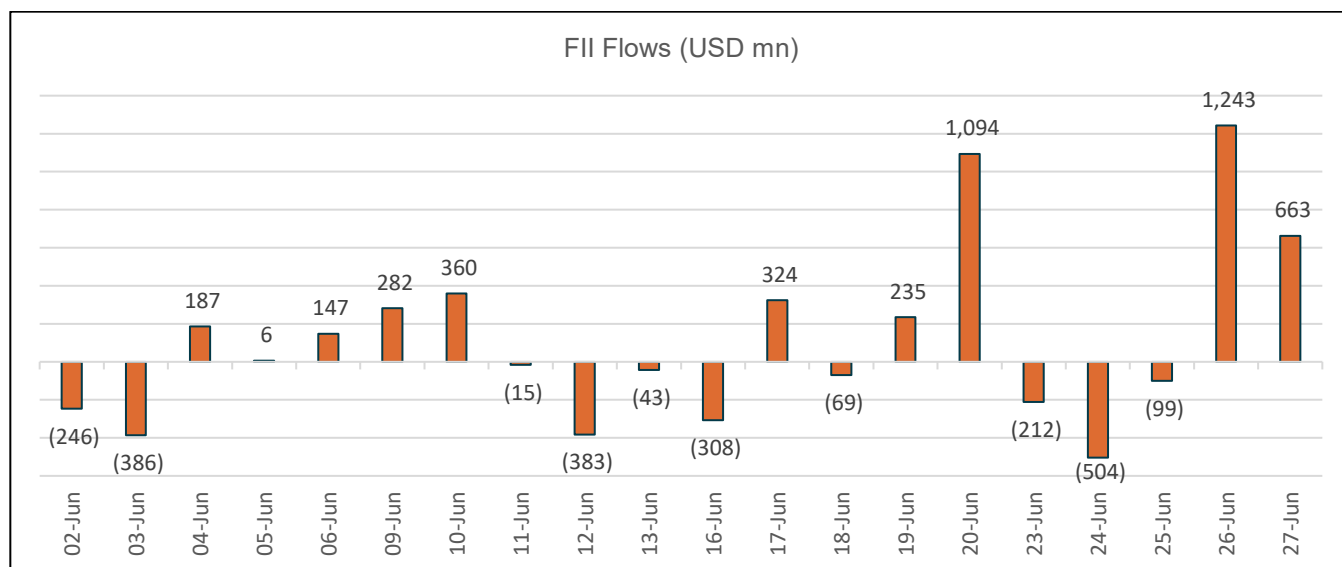


Note: We have used MSCI indices for all calculation; Source: Bloomberg, Elara Securities Research

India Continues to Receive Flows Amidst Risk-On Sentiment

Late-June saw a meaningful rebound in investor risk appetite, driving renewed interest in Indian equities. Following a cautious start to the year, foreign institutional investors (FIIs) turned net buyers. The return of capital—coinciding with falling global yields and a softer dollar—reflects growing comfort with India's relative stability.

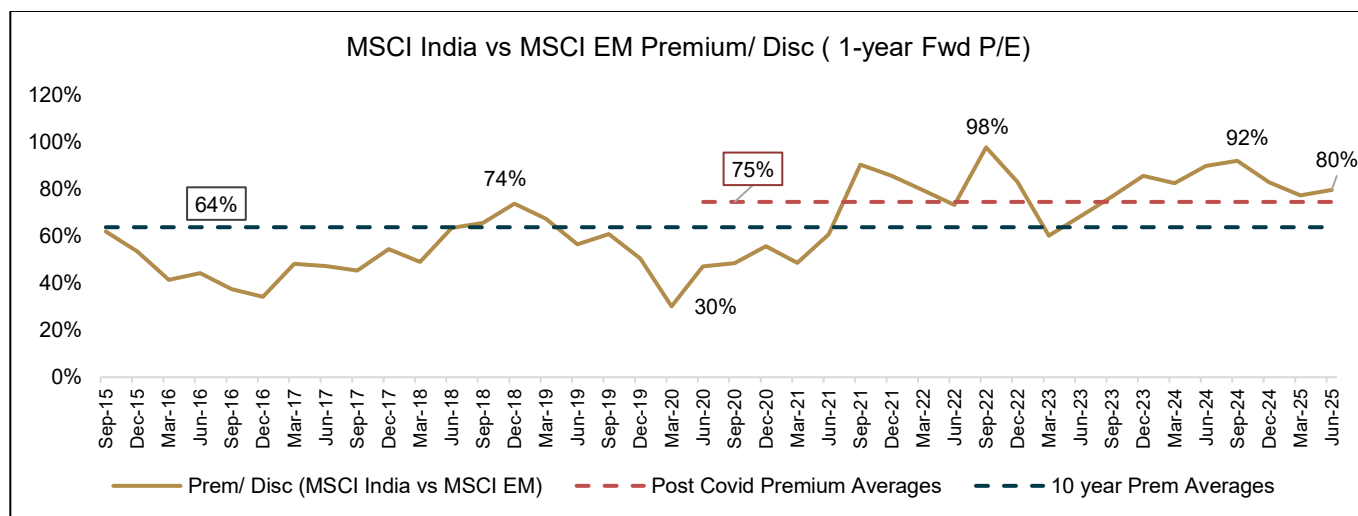
This resurgence in flows aligns with India's improving policy narrative and favourable macro positioning.



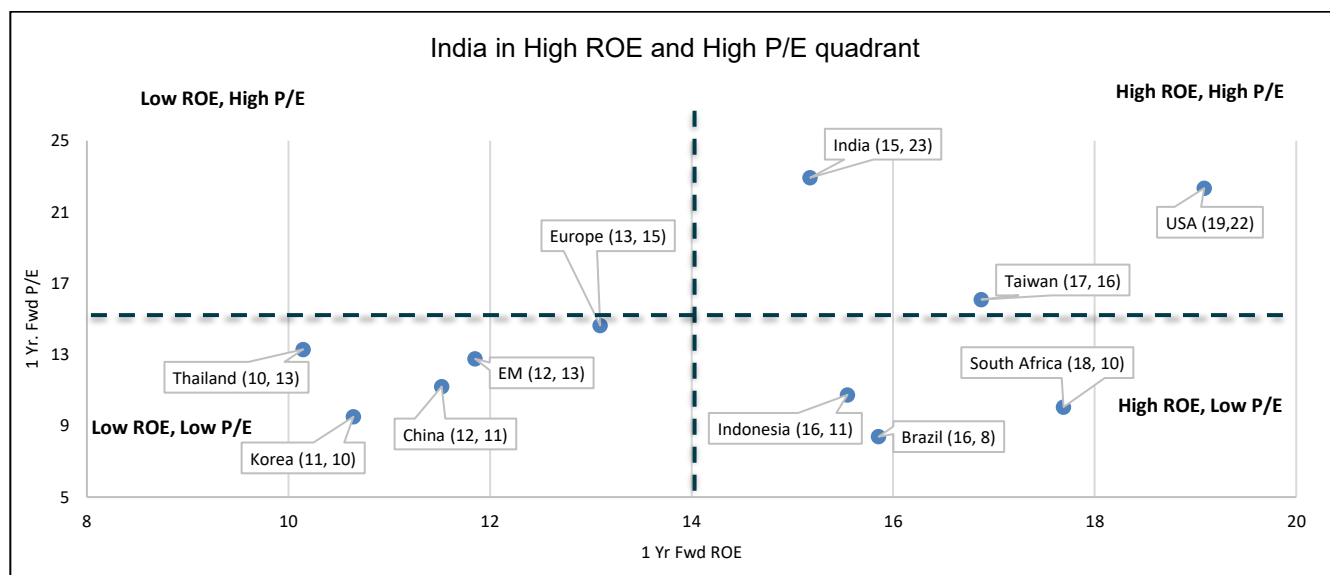
Source: Bloomberg, Elara Securities Research

Is This Return Durable?

India's 80% valuation premium to MSCI EM on a 1-year forward P/E continues to raise questions. Yet this premium is not sentiment-driven—it's backed by fundamentals. India offers the highest expected EPS CAGR among major emerging markets (EMs) (~14% over FY23–26) and maintains a robust forward ROE near 15%, consistently outperforming peers.

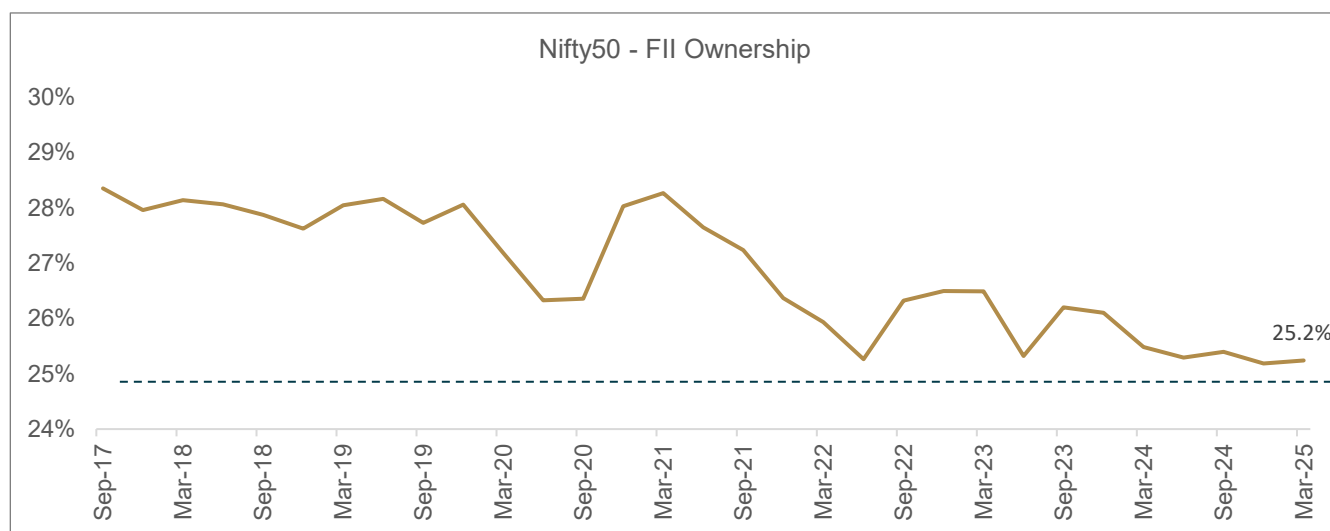


Source: Bloomberg, Elara Securities Research



Source: Bloomberg, Elara Securities Research

Its PEG ratio of 1.4x is lower than that of China and the US, thus reinforcing the quality-growth trade-off. Importantly, FII ownership remains light. In the Nifty 50, foreign holdings sit at a 10-year low, while domestic flows have steadily risen. In a world recalibrating for US–China fragmentation, India presents itself as a neutral, scalable, and resilient anchor within emerging markets. The current rally may see pauses, but from a bottom-up and allocation lens, India remains structurally well-positioned.

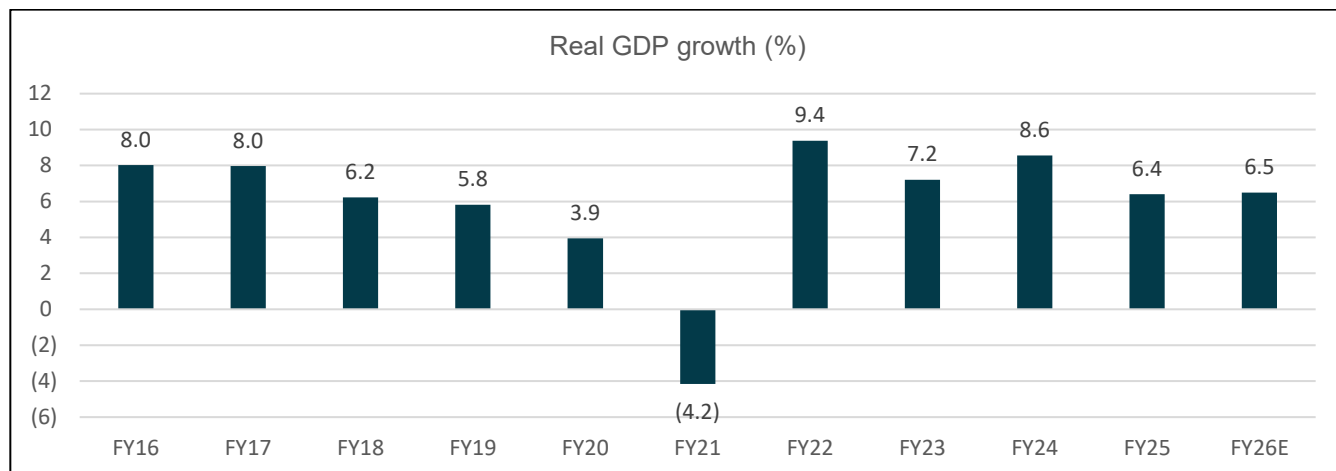


Source: Capitalline, Elara Securities Research

Domestic Macro Update

India's macro backdrop improved further in June, marked by a clear policy shift. RBI has cut the repo rate by 50 bps and CRR by 100 bps—its most accommodative action in recent years—signalling a decisive move towards supporting growth.

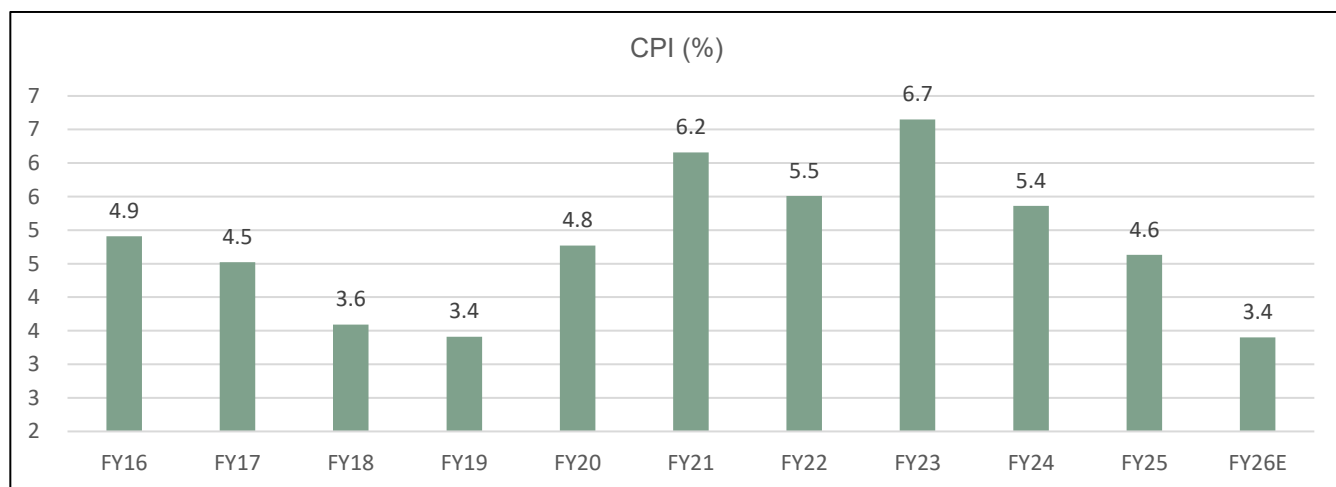
This easing cycle is likely to benefit rate-sensitive sectors such as real estate, autos, consumption finance, and SME lending. GDP growth for FY26 is projected at 6.5%, supported by easier financial conditions, rural tailwinds, and continued infrastructure execution.



Source: CMIE, Elara Securities Estimate

Inflation remains benign. Early signs suggest June CPI will stay soft, aided by a 9% surplus monsoon, stable food prices, and better sowing momentum. With real rates now positive, monetary space remains supportive.

Also, lower food prices are beneficial for the rural economy, which puts a lid on inflation. The above-average monsoons and the subsequent rise in farm incomes could give a boost to rural demand. In fact, a recent JP Morgan report has pointed out that the demand for jobs, under the rural job scheme, has been declining in recent months. This reflects improving job opportunities and easing rural distress.

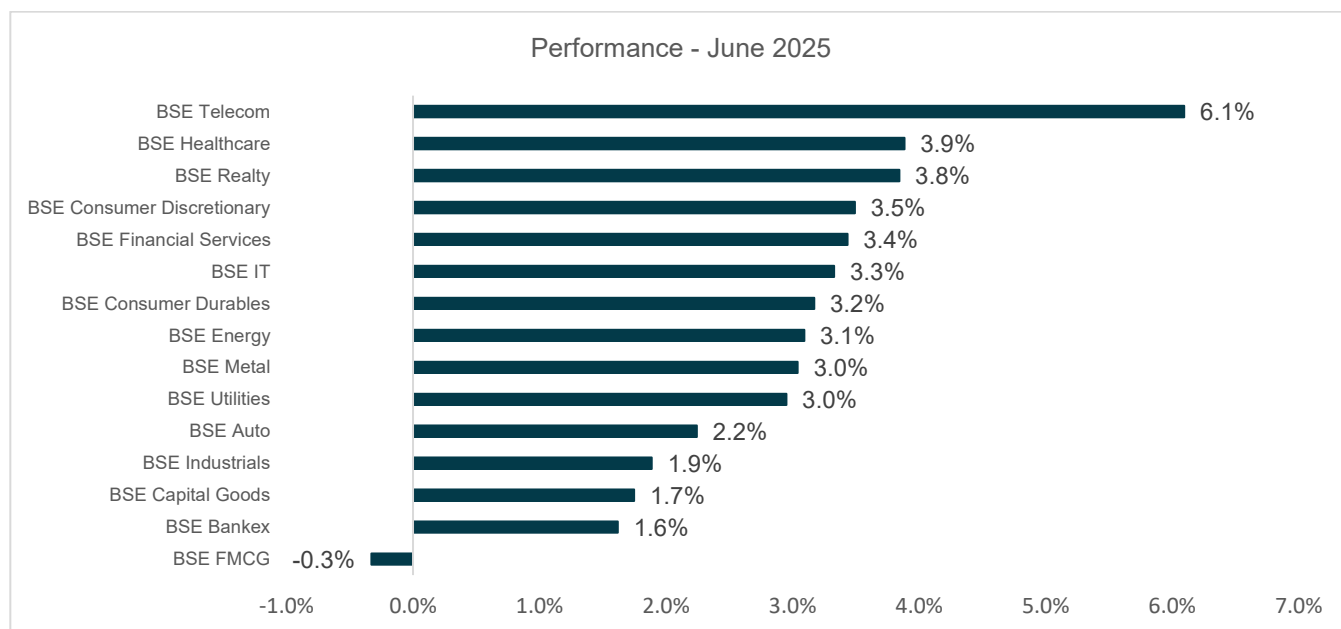


Source: CMIE, Elara Securities Estimate

Externally, the May trade deficit narrowed to USD 21.8 billion, helped by lower oil imports and strong exports in electronics and chemicals. The INR held steady at INR 86.6/USD, supported by a soft dollar, falling crude, and

improving FPI flows. On trade policy, the India–U.S. FTA has been delayed past the July 9 deadline due to sectoral frictions, but India–EU talks have gained traction, offering hope for strategic diversification. Overall, June marked a pivot — from post-pandemic normalisation to proactive, growth-oriented policy support.

Meanwhile, in June 2025, all sectoral indices also made gains, except FMCG.



Source: Bloomberg

Navigating Through Uncertain Times

Despite growing comfort with global macro conditions, policy pivots and geopolitical risks remain in play. In this environment, gold and digital assets continue to attract allocations.

That said, the longer-term case for Indian equities remains strong. With macro stability, falling rates, and improving consumption drivers, India enters H2CY25 with positive momentum. This is a phase to stay invested—particularly in companies aligned with domestic demand and structural tailwinds.

Portfolio Positioning

Our portfolio allocation continues to favour domestically oriented, fundamentally strong businesses with visibility across growth, margins, and policy tailwinds. The emphasis remains on sectors that are likely to benefit from lower interest rates, steady rural demand, and infrastructure-led multiplier effects.

Financials: Selective Preference Within Banks and NBFCs

We remain selectively positive on large private banks, which continue to trade at a discount to their 5-year average valuations despite stable asset quality and earnings growth. The RBI's 50 bps repo cut and 100 bps CRR reduction have eased funding costs and supported system liquidity. This strengthens the outlook for credit growth across retail

and MSME segments.

At the margin, smaller private sector banks may also benefit in a high-beta market phase, though allocation remains biased toward lenders with strong liability franchises and underwriting discipline.

We are also constructive on select PSU banks, which offer valuation comfort, high dividend yields, and improving profitability metrics.

NBFCs, particularly in housing and SME lending, are well-positioned to gain from the easing rate cycle, as lower cost of funds improves spreads and incremental demand.

Domestic Pharma Over Export-Focused Peers

We favour **domestic-focused pharmaceutical companies**, given the continued pricing pressures in the U.S. generics market and recent rupee stability. Domestic players benefit from expanding healthcare penetration and consistent volume-led growth.

Energy

Softening crude prices and stable currency dynamics have improved the operating outlook for OMCs and gas distribution companies. These names stand to gain from improved marketing margins and working capital release, while also offering attractive dividend yields

Insurance and Real Estate

Private insurers continue to gain market share, driven by rising health and motor coverage demand. Formalisation, digital adoption, and regulatory reforms add to structural tailwinds. We also like real estate which continues to gain on the sustained demand at the premium end, and also the end buyers benefit from the much need rate cuts.

Autos and Discretionary Consumption

We are positive on two-wheelers and select PV OEMs, amid rural uptick and input cost relief support recovery. Within consumption, we prefer value-focused discretionary segments over staples, which face valuation constraints and slowing volume growth.

Cautious Stance on Export-Oriented Sectors

We remain cautious on IT, export pharma, and auto exporters, given soft global demand, weak discretionary spend, and limited visibility on large deal flows. INR stability offers some relief, but earnings risk remains skewed to the downside in the near term.

Themes We Like

- China+1 and global supply diversification
- Growth revival – Rural recovery and affordable discretionary consumption
- Rate Sensitive Plays – NBFC, PSU Banks, Select Private Banks, Real Estate (Long term cyclical recovery)
- Make-in-India, Digital Infrastructure, and public capex
- Defence Export and Select Manufacturing opportunities
- Transition in the Energy sector

Keeping FOCUS

In conclusion, June month showcased how markets can swing from calm to chaos. We expect this **volatility to persist**, largely driven by global macro and geopolitical concerns.

Our strategies are well-positioned to navigate these fluctuations and leverage India's structural resilience. In fact, we believe that such volatility presents an opportunity to accumulate high-quality and growth-oriented companies at an attractive price. We have instituted a **FOCUS investment philosophy with a solid investment management framework**, which will help us to spot and capitalise on compelling opportunities in a disciplined manner.

We maintain that these volatile times are best suited for investors with a long-term horizon to invest in domestic equities.

Thank you for your continued support and trust. I look forward to connecting with you again in our next monthly update.

Warm Regards,

George Heber Joseph

CIO & CEO, ASK Investment Managers

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As per SEBI circular SEBI/HO/IMD/IMD-PoD-2/P/ CIR/2022/172 dated December 16, 2022, the comparison of the relative performance of the investment approach with other portfolio managers is available at: <https://www.apmiindia.org/apmi/IACompare.htm?action=iacomaprepage>
