ICICI PRUDENTIAL MUTUAL FUND

THE MONTH GONE BY

An insightful roundup of relevant stories in the recent month backed by interesting data points

Just as how a **Cricket ball** zips across the stadium at lightning speed, a **Puck** in an Ice Hockey game moves at varying speeds. In response to the rapid movements, players have to make decisions within split-seconds. **During an interview, a renowned Ice Hockey player shared his unique strategy.**

The Ice Hockey player found success not by chasing the puck, but by staying one step ahead and anticipating its next move. Similarly, in the investing realm, returns are not made by merely chasing past performance, but by evaluating the future potential.

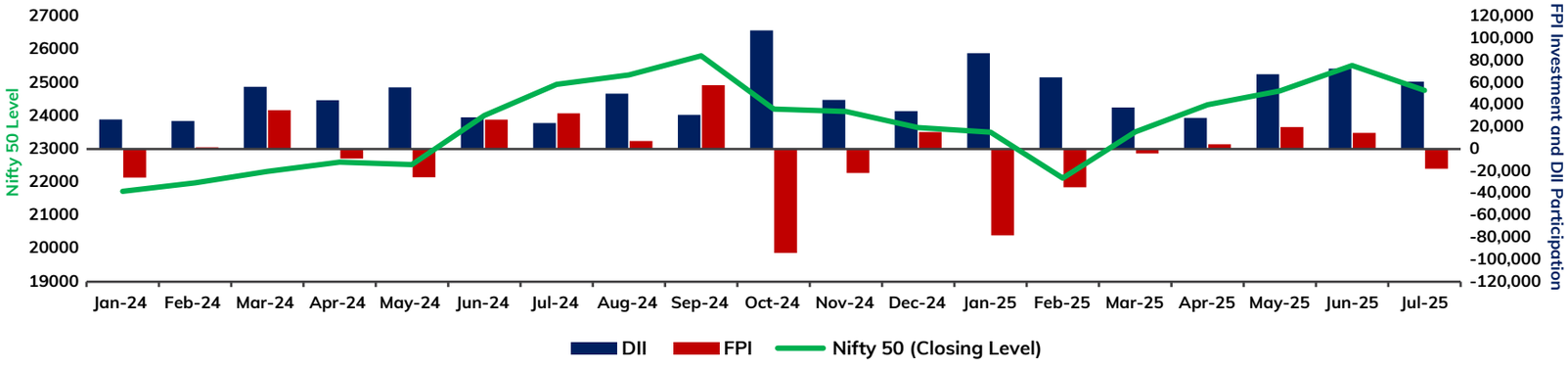
Current global trade uncertainties have left investors on edge. Furthermore, subdued corporate earnings are unnerving as it acts as a bellwether for stock market trends. During such turbulent times, it is key to adapt to changing market conditions to capture opportunities presented by the market.

While we ponder about the course ahead, it is important to connect the dots with key market events of July 2025.

How did India's equity market react to choppy global economic conditions?

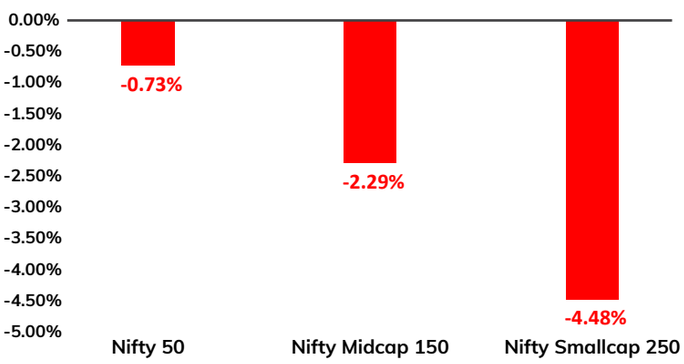
The global macroeconomic environment is engulfed by tariff policy uncertainties, geopolitical conflicts and a fragile growth outlook. **India is grappling with lukewarm corporate earnings growth, high equity market valuations, patchy recovery of urban demand and slower credit offtake. After turning net buyers in the preceding three months, Foreign Portfolio Investors sold Indian equities worth ₹17,741 crore in July 2025.**

MONTHLY FPI NET INVESTMENTS IN INDIAN EQUITIES AND DII PARTICIPATION (₹, CRORE) AND NIFTY 50 CLOSING LEVEL



Source: National Securities Depository Limited (NSDL). FPI data as on July 31, 2025. FPI: Foreign Portfolio Investment. DII: Domestic Institutional Investment. Past performance may or may not sustain in future. U.S.: United States.

1-YEAR ABSOLUTE RETURNS OF INDEX (%)



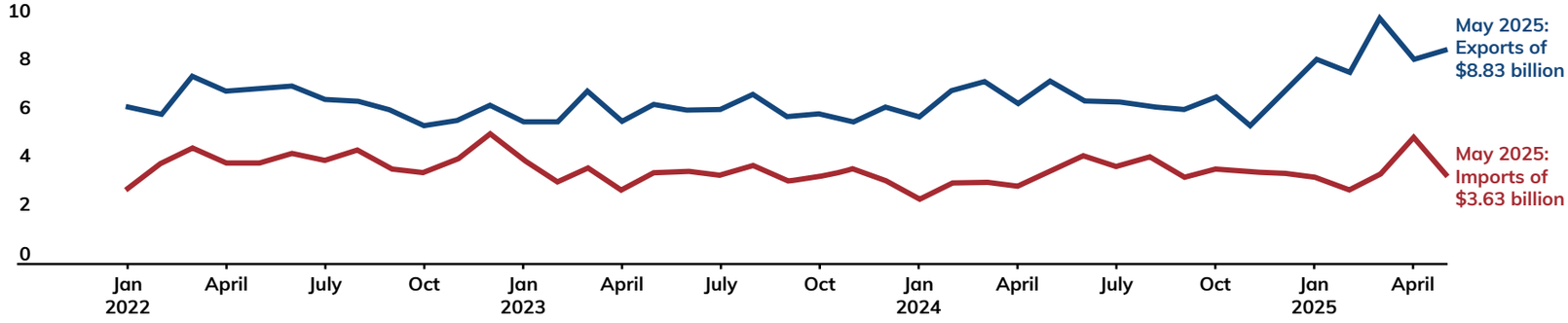
India's equity market performance has been relatively weak over the past year.

Source: National Stock Exchange (NSE). Index returns are computed from July 31, 2024 to July 31, 2025. Past performance may or may not sustain in future. RBI: Reserve Bank of India. UK: United Kingdom.

Tariff Alert – The U.S. imposes 25% tariff on goods imported from India

The U.S. president announced 25% tariff on goods imported from India, starting August 01, 2025. Back in April 2025, the U.S. levied tariff of up to 27% on Indian goods, which were later paused for a 90-day period. **India's exports to the U.S. constitute a small percentage of the total export orders. Hence, the direct impact of tariffs on the Indian economy could be comparatively lower than economies heavily dependent on exports to the U.S.**

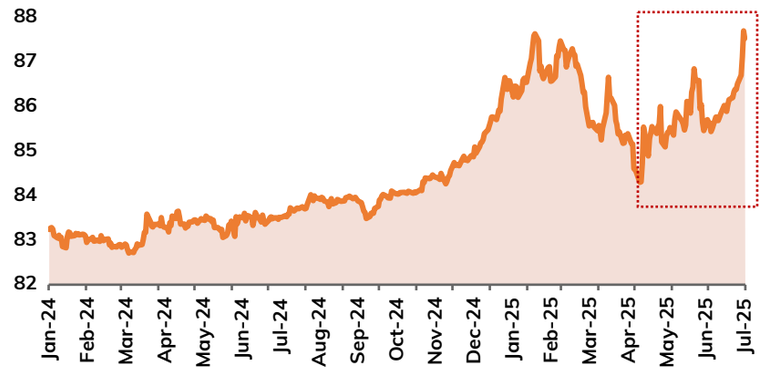
INDIA'S TRADE WITH U.S. ($, BILLION)



Source: Reuters, Centre for Monitoring Indian Economy (CMIE). Data as on May 2025.

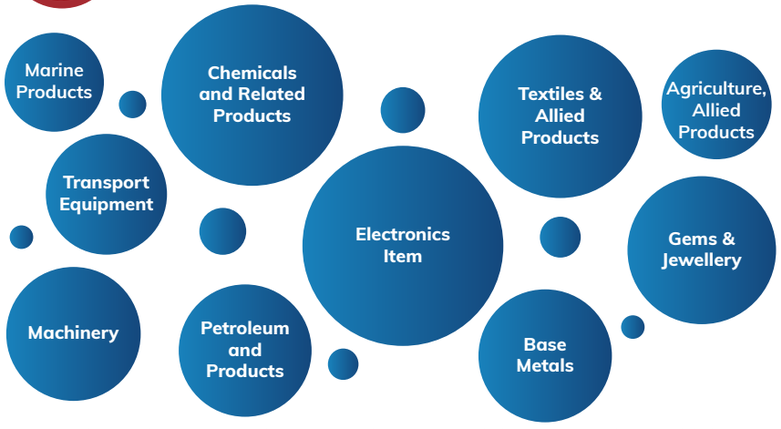
USD/INR

Amidst the tariff threat, the Indian Rupee weakened to 87.52 against the U.S. Dollar



Source: Reuters, Data as on July 31, 2025. USD: U.S. Dollar. INR: Indian Rupee

MAJOR PRODUCTS EXPORTED BY INDIA TO THE U.S.



The sector(s)/stock(s) mentioned in this presentation do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or may not have any future position in these sector(s)/stock(s). The portfolio of the scheme is subject to changes within the provisions of the Scheme Information Document of the Scheme.

Dreams do turn into a reality – India and UK seal the Comprehensive Economic and Trade Agreement

On July 24, 2025, India and the United Kingdom signed the Comprehensive Economic and Trade Agreement, targeting to double the current bilateral trade of $56 billion by 2030.

01 - INDIAN IMPORTS

Indian tariffs on UK products will be slashed, locking in reductions on 90% of the tariff lines.

02 - INDIAN EXPORTS

India will gain from tariff elimination on about 99% of the tariff lines, covering almost the entire trade value with the UK.

03 - BENEFIT FOR INDIA

Tariffs on marine products, textiles, leather and processed foods have been reduced from up to 70% to zero.

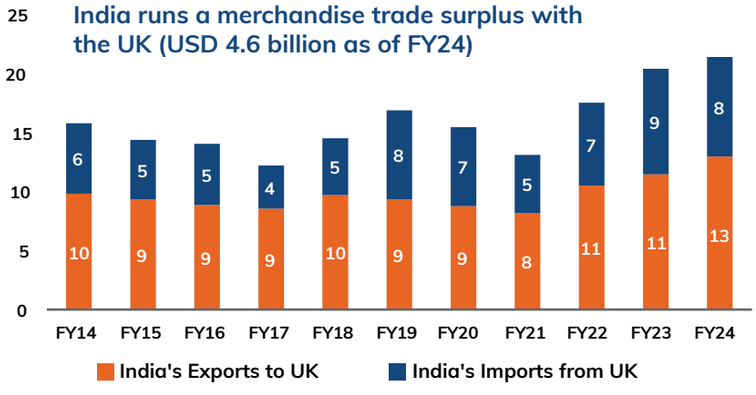
Provides opportunities across key sectors, such as agriculture, food processing, textiles, engineering goods, chemicals, pharmaceuticals, marine products and electronics.

Indian service providers can enhance their competitiveness in the UK market.

04 - BENEFIT FOR UK

Tariffs on select alcoholic beverages will be halved to 75% from 150%.
Automotive tariffs will be reduced from over 100% to 10% under a quota.

INDIA'S MERCHANDISE TRADE WITH THE UK ($, BILLION)



India's Top 5 Merchandise Exports to the UK (FY24)	
	Share
Electrical machinery & equipment	14%
Nuclear reactors, boilers, parts	12%
Mineral fuels and oils	10%
Apparels & clothing accessories	10%
Pharma products	5%

India's Top 5 Merchandise Imports from the UK (FY24)	
	Share
Pearls, precious stones & metals	28%
Nuclear reactors, boilers, parts	13%
Iron & steel	9%
Electrical machinery & equipment	6%
Essential oils & cosmetics	5%

Source: Ministry of Commerce & Industry. UK: United Kingdom. Centre for Monitoring Indian Economy (CMIE). Export/Import categories are as per HS2 Code. FY: Financial year. The sector(s)/stock(s) mentioned in this presentation do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or maynot have any future position in these sector(s)/stock(s). The portfolio of the scheme is subject to changes within the provisions of the Scheme.

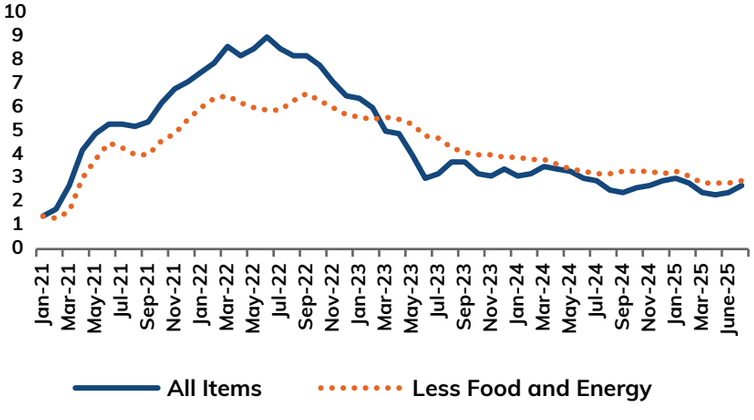
The U.S. Federal Reserve leaves interest rates unchanged

In July 2025, the U.S. Federal Reserve kept the key interest rate unchanged in the 4.25%-4.50% range. This decision came amid higher inflationary pressures, owing to the trade tariffs levied.

Inflation risk: Inflation has eased from its peak in mid-2022 but remains above the U.S. Federal Reserve's long-term target of 2%. The U.S. Consumer Price Index stood at 2.7% year-on-year in June 2025, up from 2.4% in May 2025. Certain pockets of goods inflation are rising, reflecting the tariff impact.

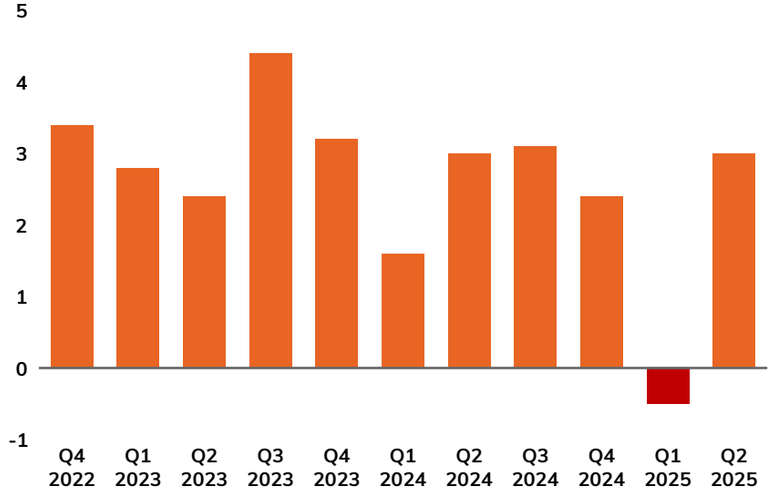
Economic Growth prospects: The U.S. Real Gross Domestic Product (GDP) grew at an annual rate of 3% in the second quarter of 2025, supported by a revival in consumer spending. Consumer spending witnessed growth of 1.4% in the second quarter of 2025, improving from the sluggish rise of 0.5% in the previous quarter. Furthermore, imports dropped during the quarter amid trade tariffs imposed and continued uncertainties over the impact on businesses.

U.S. CONSUMER PRICE INDEX (%)



Source: U.S. Bureau of Labor Statistics, Year-on-year % change. U.S.: United States.

U.S. REAL GROSS DOMESTIC PRODUCT (%)



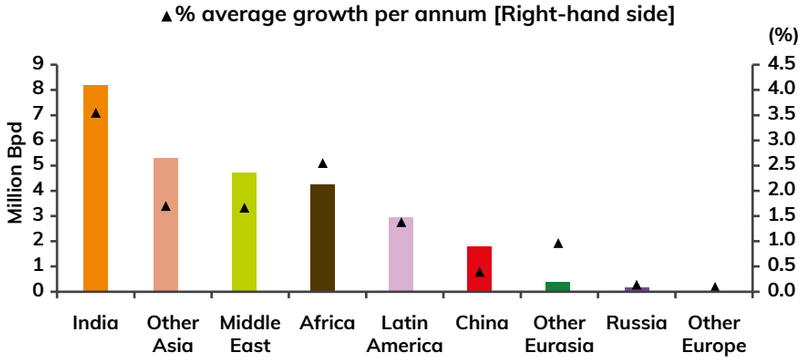
Source: U.S. Bureau of Economic Analysis. Q2 2025 data is advance estimate. Percent change from preceding quarter.

Job market displays resilience: The U.S. unemployment rate fell to 4.1% in June 2025. Employment continued to trend up in healthcare and state government.

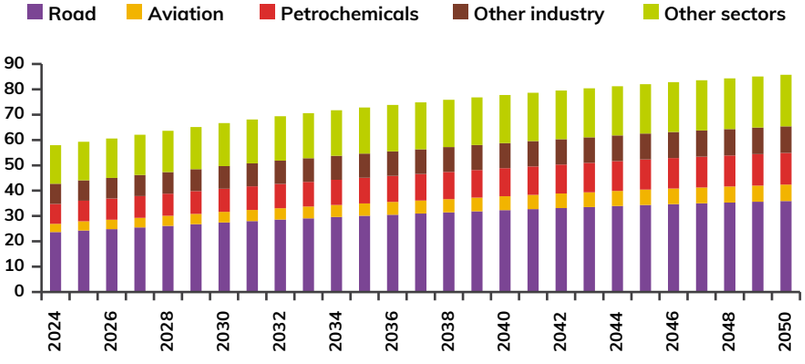
The Oil market is trapped in a maze of challenges

OPEC anticipates demand from China to weaken, owing to slower economic growth and the rapid penetration of electric vehicles. While there could be some pain in the medium term, **the cartel lifted its longer-term global oil demand outlook on the back of increasing oil requirements by India, Other Asia, the Middle East and Africa. The combined demand in these regions could increase by 22.4 million barrels per day between 2024 and 2050.**

NON-OECD REGIONAL OIL DEMAND GROWTH, 2024-2050 (MILLION Bpd)



NON-OECD OIL DEMAND BY SECTOR, 2024–2050 (MILLION Bpd)



Source: Reuters. OPEC: Organization of the Petroleum Exporting Countries, World Oil Outlook 2025. OECD: Organization for Economic Co-operation and Development. SWIFT: Society for Worldwide Interbank Financial Telecommunication. Bpd: Barrels per day.

In July 2025, the European Union imposed sanctions on Russia, owing to the war against Ukraine – a) Levied restrictions on companies connected with the Nord Stream gas pipeline. b) Price cap on Russian crude oil was lowered, which could impact Russia's revenue from oil exports. **c) About 20 more Russian banks have been cut off from the SWIFT international payments system. d) Targeted 105 additional shadow fleet ships. e) Rosneft's refinery in India grapples with sanctions that impede its entry into Europe's petrol and diesel market.**

Brent crude oil prices surged to around $73/barrel on July 31, 2025. **In order to stabilize oil market conditions, OPEC decided to raise oil output by 548,000 barrels per day in August 2025.**

Will Gold prices sustain the upward momentum?

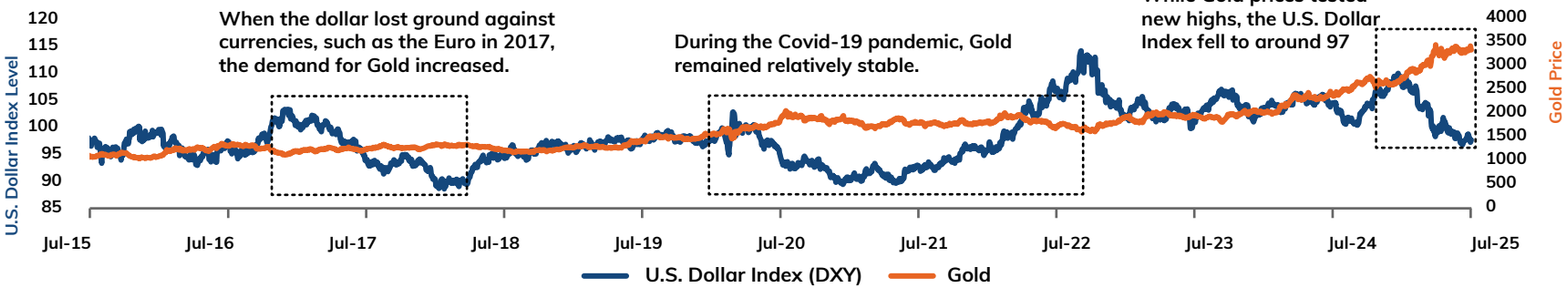
Gold traded around $3,346/ounce on July 25, 2025 amid rising global economic uncertainties:

Unresolved trade tensions: While the 90-day U.S. tariff pause was extended to August 01, 2025, concerns loomed around renewed tariff threats to over 20 trading partners, such as Canada, Mexico and Brazil.

U.S. National Debt on the rise: On July 04, 2025, the U.S. president signed the 'One Big Beautiful Bill Act' into law, igniting concerns around rising U.S. national debt levels.

Geopolitical tensions: Central banks strengthened their gold reserves since 2022, when the Russia-Ukraine war rattled global markets.

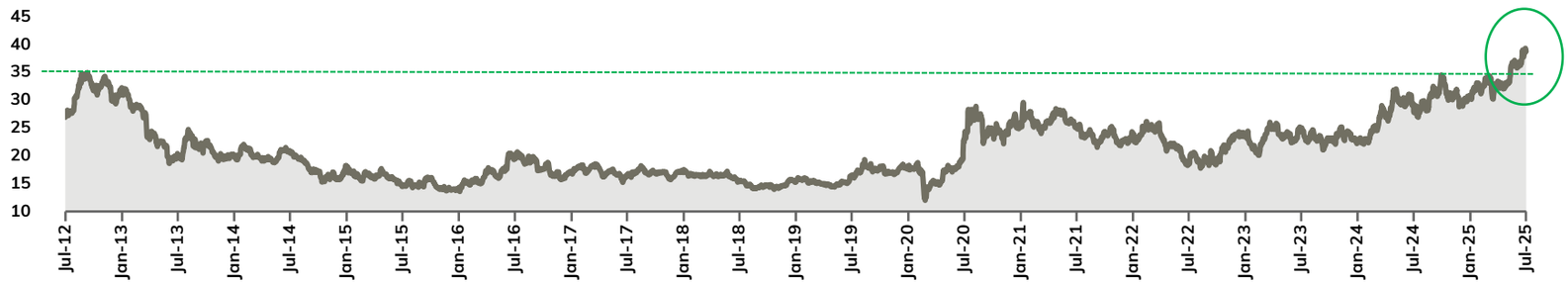
GOLD PRICES (LBMA, $/OUNCE) AND U.S. DOLLAR INDEX LEVEL



Source: LBMA: London Bullion Market Association, Reuters. Data as on July 25, 2025. The gold price in India was around ₹98,388/10 gms on July 25, 2025. U.S.: United States.

SILVER PRICES (LBMA, $/OUNCE)

Silver has extensive usage in the industrial landscape, such as semiconductors, automotive electronics and solar panels. On July 25, 2025, Silver traded around $38/ounce, surpassing the February 2012 levels.



Source: LBMA: London Bullion Market Association. Data as on July 25, 2025.

The trajectory of bond yields

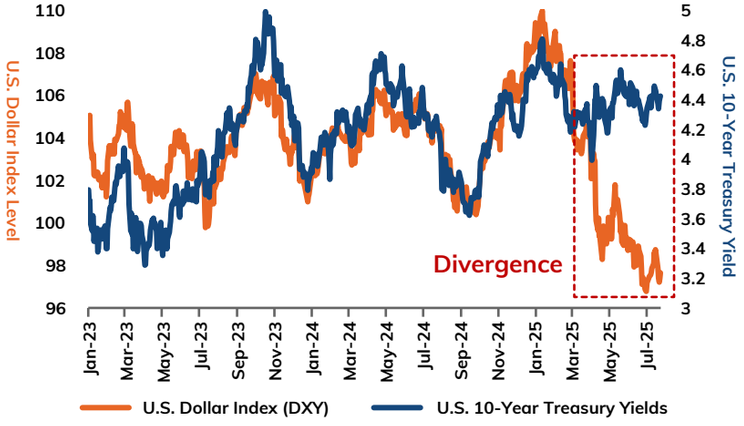
The U.S. 10-year Treasury yield rose to around 4.42% on July 25, 2025 influenced by:

Passage of the new tax bill: On July 04, 2025, the 'One Big Beautiful Bill Act' was signed into law, modifying a number of important tax provisions, such as tax deduction on Made in America auto loan interest, no tax on social security, etc. The bill could add $3.4 trillion to the U.S. national debt over the next decade (Source: Congressional Budget Office report).

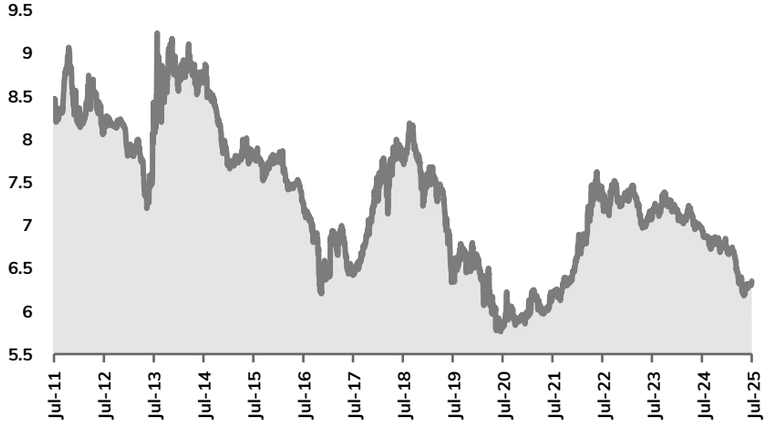
The U.S. Dollar Index weakened: The U.S. Dollar Index continues to trade below the 100 level. Investors are wary of the fiscal health of the economy amidst rising national debt levels.

Upward pressure on Inflation: The trade tariffs levied would increase operational costs for businesses, which could translate into higher prices for consumers.

U.S. 10-YEAR TREASURY YIELD (%) AND U.S. DOLLAR INDEX



INDIA 10-YEAR G-SEC YIELD (%)



Source: Reuters. Data as on July 25, 2025. RBI: Reserve Bank of India. G-sec: Government Securities.

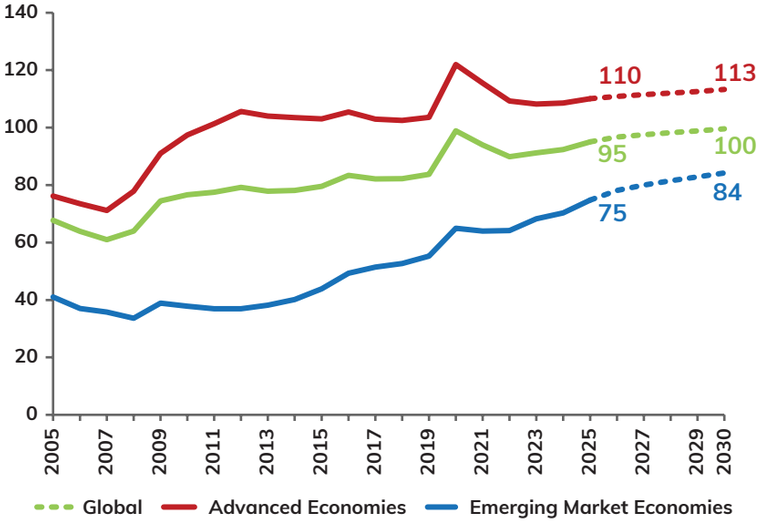
The Indian 10-Year G-sec yield has been range bound during the month; yields traded around 6.35% on July 25, 2025. Foreign appetite for Indian government bonds picked up steam, with foreign portfolio investors investing ₹11,812 crore in the Indian debt market in July 2025.^

^Source: National Securities Depository Limited (NSDL). July 2025 data is up to July 31, 2025. Debt market investment includes Debt-General Limit, Debt-Voluntary Retention Route, Debt-Fully Accessible Route.

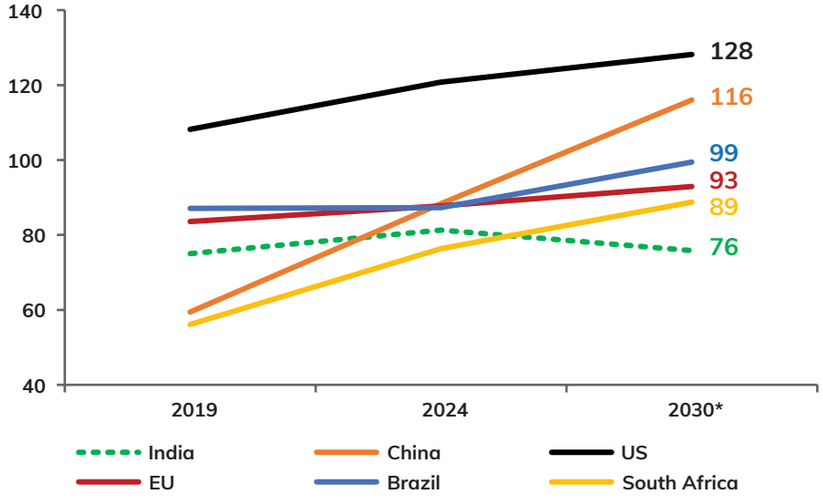
Rising global debt remains a concern

Policymakers have to navigate a complex trade-off between flaring geopolitical uncertainties, U.S. trade tariffs, rising debt servicing costs and weakened economic growth prospects. Amid a shifting economic landscape, **the International Monetary Fund (IMF) anticipates global public debt to rise further, nearing 100% of the GDP by the end of the decade, surpassing the levels observed during the Covid-19 pandemic.**

PUBLIC DEBT – GLOBAL, AEs AND EMEs (% OF GDP)



DEBT-TO-GDP TRAJECTORY OF SELECT ECONOMIES (%)



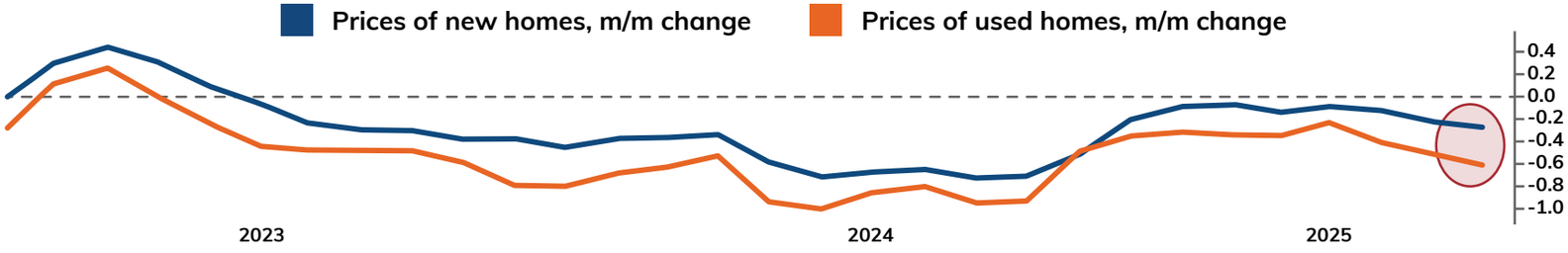
Source: IMF World Economic Outlook, April 2025. IMF Fiscal Monitor. IMF April 2025 Projections. RBI Financial Stability Report, June 2025. GDP: Gross Domestic Product. U.S.: United States. EU: European Union. AEs: Advanced Economies. EMEs: Emerging Market Economies.

India's fiscal position has strengthened on account of: a) Ongoing fiscal consolidation, b) Improvement in the quality of expenditure and c) Earmarking of debt-to-GDP as the key benchmark for the central government's fiscal policy. As announced in the Union Budget 2025-26, **the Government targets to bring down the debt to the 50% level by March 31, 2031, from the current level of 57.1%. d) India's current account balance turned into a surplus of $13.5 billion in Q4 FY 2024-25, indicating improved external stability.**

China's home prices fell at a faster pace

China's real estate sector has been struggling: a) Real estate developers defaulted on project deliveries. b) Economic growth slowed to 5.2% year-on-year in Q2 2025. c) Investment confidence dampened due to patchy economic growth and concerns around future earnings. **d) Real estate investment tumbled and China's new home prices in 70 cities dropped 0.27% from May 2025, the most in eight months.**

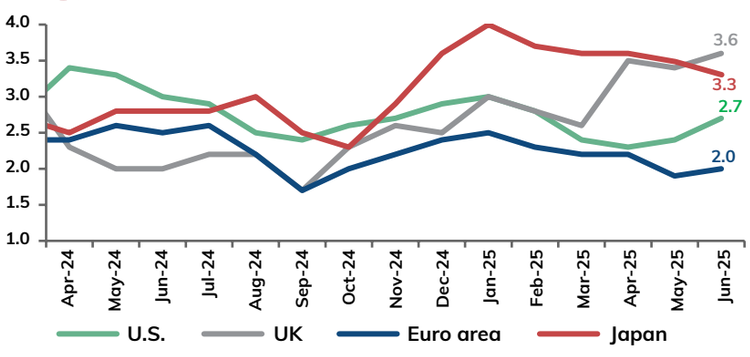
CHINA'S HOME PRICE DROP (% CHANGE, MONTH-ON-MONTH)



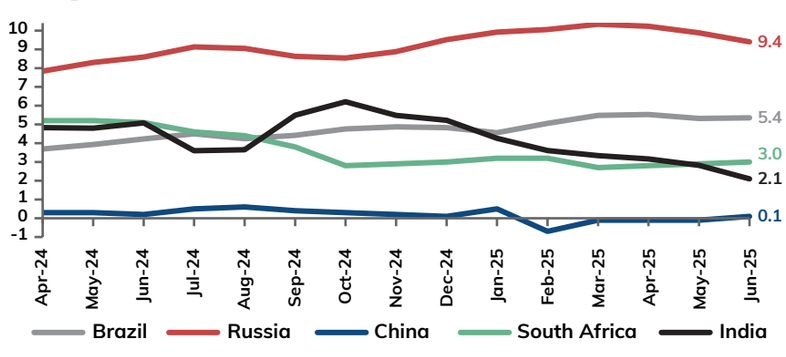
Source: National Bureau of Statistics of China. Data as on June 30, 2025. m/m: Month-on-Month change. Q: Quarter.

Beating all odds, China's headline inflation returned to the positive territory for the first time since January 2025, driven by subsidies for consumer goods and an increase in e-commerce shopping events.

HEADLINE INFLATION OF SELECT AEs (%)



HEADLINE INFLATION OF SELECT EMEs (%)

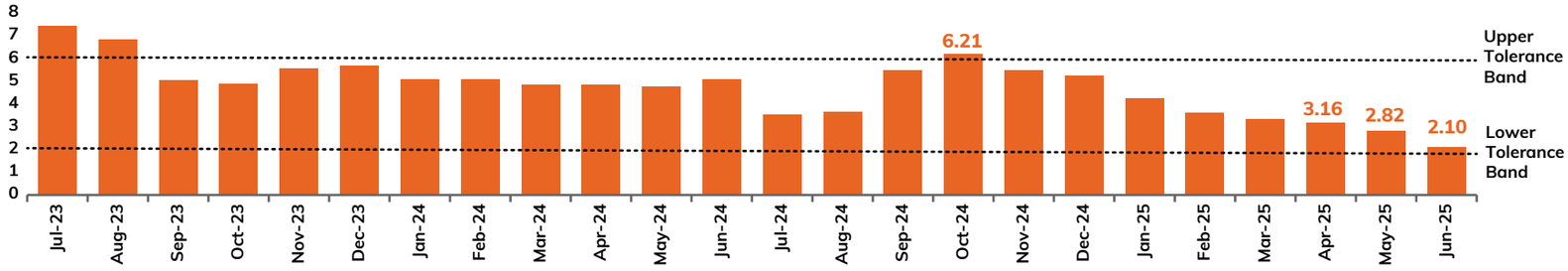


Source: The Organization for Economic Co-operation and Development (OECD). RBI Bulletin, July 2025. RBI: Reserve Bank of India. U.S.: United States. UK: United Kingdom. AEs: Advanced Economies. EMEs: Emerging market economies.

India's retail inflation eases to the lowest print since January 2019

India's retail inflation, measured by Consumer Price Index (CPI), steadily cooled to 2.10% in June 2025, primarily driven by sustained moderation in food prices. **Comfortable reservoir levels, favourable monsoon and strong Kharif sowing bode well for the food price outlook.** However, core inflation, which excludes food and fuel, remains sticky at around 4.4% in June 2025, primarily due to elevated gold prices.

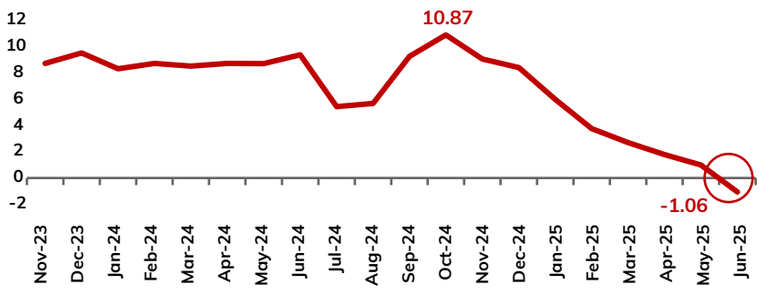
INDIA'S HEADLINE INFLATION (%)



Source: Ministry of Statistics and Programme Implementation (MOSPI). Data as on June 2025. The Reserve Bank of India follows a flexible inflation targeting policy, whereby the target is to maintain headline inflation at 4% with a tolerance band of ±2 percentage points.

In June 2025, Food inflation slipped to -1.06% year-on-year, now foraying into the negative zone. Deflation in key components, such as vegetables (-19%), pulses (-11.76%) and spices (-3.03%) contributed to the decline in food prices, offering relief to households. However, prices of fruits (12.59%) and oils and fats (17.75%) continue to remain elevated.

FOOD INFLATION (%)



Group	Weightage	Jun-25 (YoY)	May-25 (YoY)
Food and beverages	45.86%	-0.2%	1.5%
Pan, tobacco and intoxicants	2.38%	2.4%	2.4%
Clothing and footwear	6.53%	2.6%	2.7%
Housing	10.07%	3.2%	3.2%
Fuel and light	6.84%	2.6%	2.8%
Miscellaneous	28.32%	5.5%	5.1%

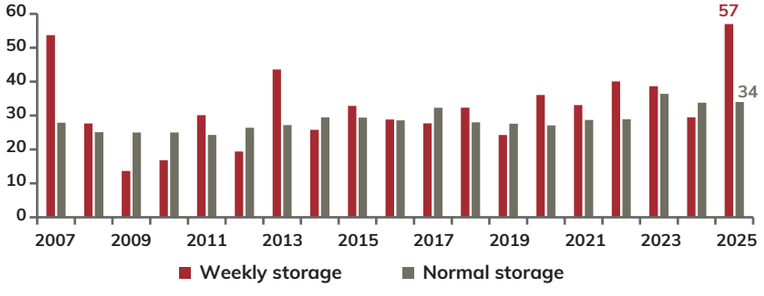
Source: Centre for Monitoring Indian Economy (CMIE), Ministry of Statistics and Programme Implementation (MOSPI). Data as on June 2025. YoY: Year-on-Year. RBI: Reserve Bank of India.

Bright pospects for Agriculture would support rural income

In July 2025, the Union Cabinet approved the 'Prime Minister Dhan-Dhaanya Krishi Yojana' for a period of 6 years, beginning from 2025-26. With an annual outlay of ₹24,000 crore, the Scheme aims to cover 100 districts with the objective of increasing the adoption of crop diversification, improving irrigation facilities, enhancing agricultural productivity and facilitating availability of credit (Ministry of Agriculture & Farmers Welfare, July 16, 2025).

As on July 17, 2025, reservoir levels climbed to 57% of the full capacity, relatively higher than preceding years.

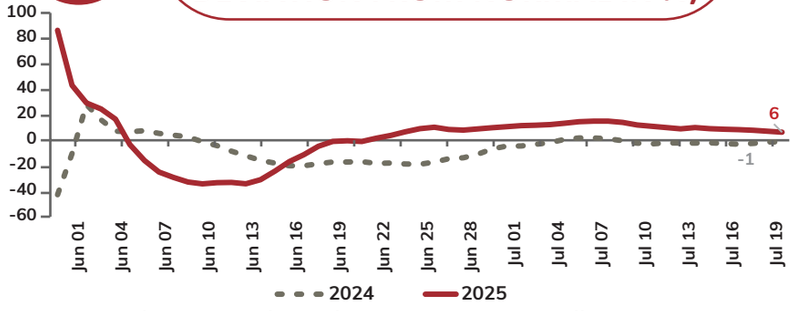
RESERVOIR STORAGE (% OF FULL RESERVOIR LEVEL)



Source: Reservoir Storage, Central Water Commission, RBI Bulletin, June 2025. RBI: Reserve Bank of India.

During June 01, 2025 to July 21, 2025, the cumulative rainfall at the all-India level was above the normal level.

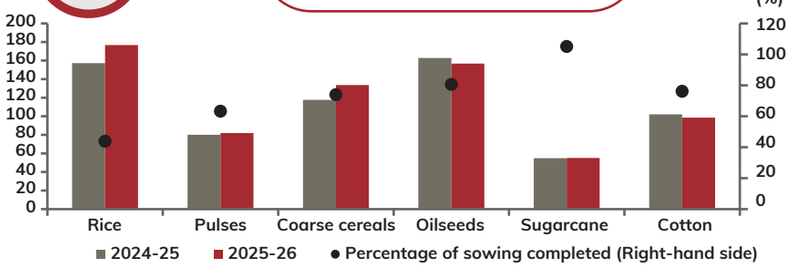
PROGRESS OF SOUTH-WEST MONSOON RAINFALL (CUMULATIVE DEVIATION FROM NORMAL IN %)



Source: India Meteorological Department. RBI Bulletin, June 2025.

The progress of the southwest monsoon helped boost Kharif sowing to 708 lakh hectares, marking a growth of 4.1% compared to the same period last year.

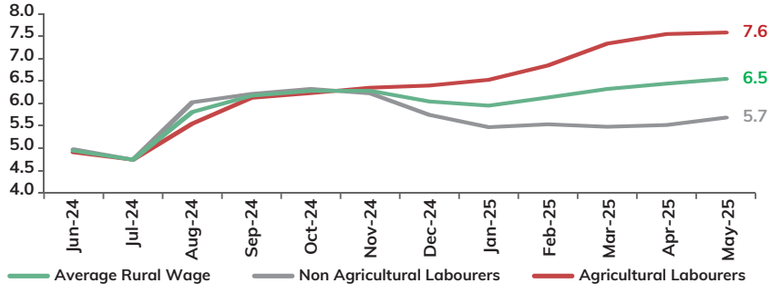
KHARIF SOWN AREA (LAKH HECTARES)



Source: Data as on July 18, 2025. RBI Bulletin. Ministry of Agriculture and Farmers' Welfare. Sugarcane area pertains to crop season 2023-24 and 2024-25 (June 01, 2025 - May 31, 2025).

Government schemes coupled with favourable monsoon could lead to an increase in production, supporting income levels of farmers.

RURAL WAGE GROWTH (Y-O-Y, %)

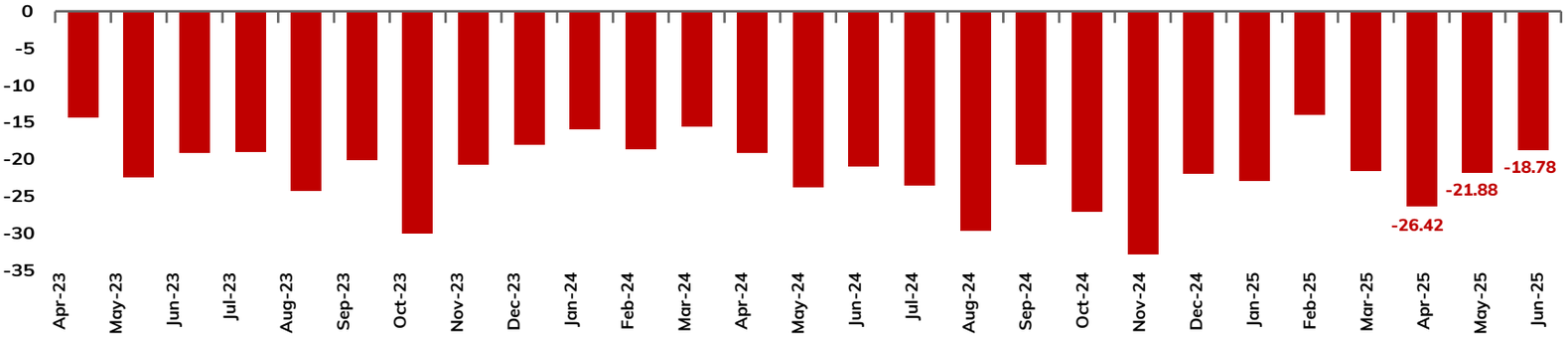


Source: Labour Bureau, Ministry of Labour and Employment. RBI Bulletin, June 2025. Y-o-Y: Year-on-Year.

India's trade deficit narrows with a fall in imports

India's exports continue to combat challenges stemming from trade tariffs imposed by the U.S. and potential supply chain disruptions due to geopolitical tensions. On the positive front, the India-UK Comprehensive Economic and Trade Agreement is expected to boost exports across sectors, such as textiles, agriculture, leather, chemicals and engineering goods.

INDIA'S MERCHANDISE TRADE BALANCE ($, BILLION)



Merchandise imports dropped to $53.92 billion in June 2025, down from $60.61 billion in May 2025, supported primarily by subdued imports of Gold and Crude Oil.

Merchandise exports fell to $35.14 billion in June 2025, compared to $38.73 billion in May 2025. **The key drivers of merchandise export growth included Electronic goods, Pharmaceuticals,** Engineering goods, Marine products, Dairy and Poultry items.

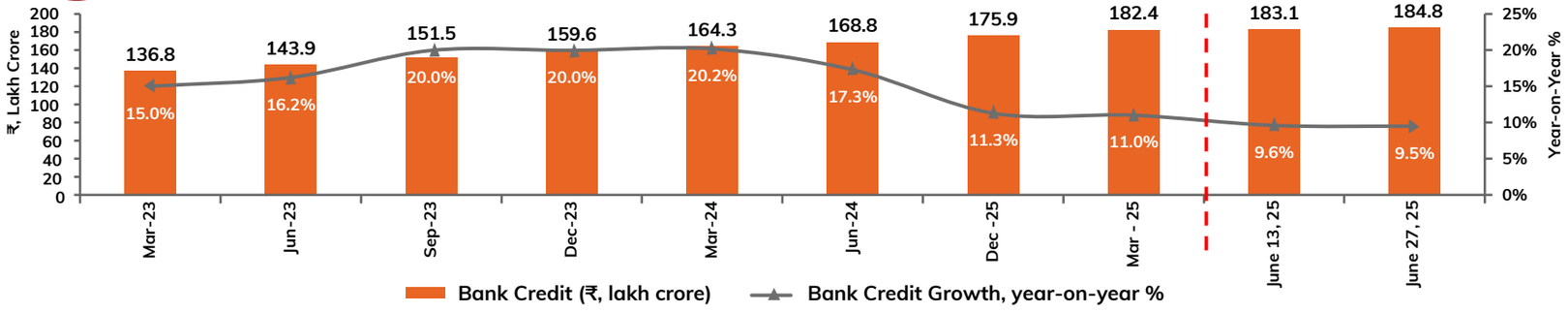
Source: Ministry of Commerce and Industry. UK: United Kingdom. The sector(s) /stock(s) mentioned in this presentation do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or may not have any future position in these sector(s)/stock(s). The portfolio of the scheme is subject to changes within the provisions of the Scheme Information Document of the Scheme.

Slowdown in credit offtake of India's Banking sector

The Credit Offtake Trajectory: As of June 27, 2025, credit offtake stood at ₹184.8 lakh crore, registering an increase of 9.5% year-on-year, which is slower than 17.3% reported in the preceding year.

Reasons for slowdown in growth: a) Muted growth across several segments b) Higher base effect, c) Uncertainties around U.S. trade tariffs contributed to a decline in capital expenditure activity, d) Notable decline in bank credit to Non-Banking Financial Companies.

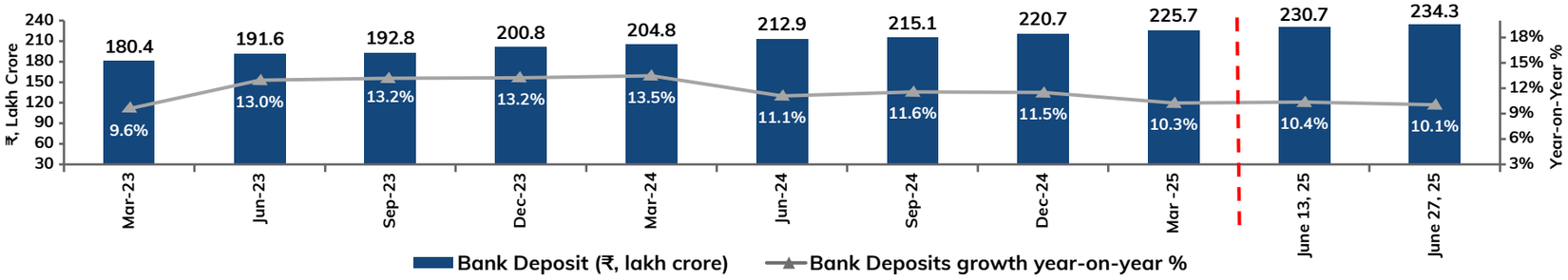
BANK CREDIT GROWTH TREND (₹, LAKH CROREE)



Bank Deposit Trajectory: As of June 27, 2025, India's bank deposit stood at ₹234.3 lakh crore, registering an increase of 10.1% year-on-year, which is lower than 11.1% reported in the preceding year.

Reasons for slowdown in growth: a) Unfavourable base effect, b) Preference for alternative investment opportunities have been on the rise.

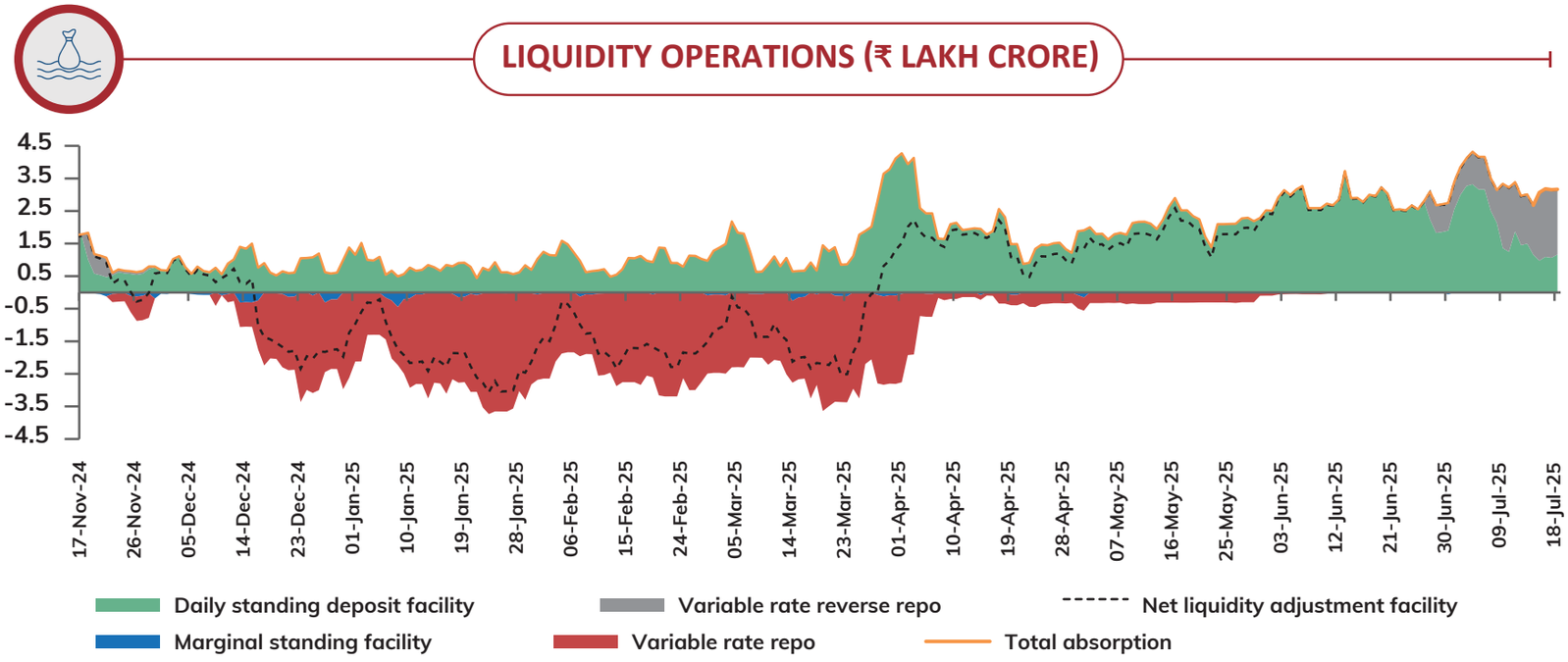
BANK DEPOSIT GROWTH TREND (₹, LAKH CROREE)



Note: Data reflects the last fortnight data of that quarter. Source: Reserve Bank of India (RBI), CareEdge Ratings.

Liquidity measures by the RBI

In recent months, the RBI conducted a slew of open market operations, repo/reverse repo operations and foreign exchange swap operations to manage liquidity in the banking system. **In July 2025 (up to July 17, 2025), average banking system liquidity surplus stood at ₹3.4 lakh crore (Source: CareEdge Ratings Report).** As per the RBI Bulletin of July 2025, banking system liquidity was supported by higher government spending, relatively lower Goods and Services Tax collections and a decline in currency in circulation.



Source: Reserve Bank of India (RBI) Bulletin, July 2025. Data as on July 18, 2025.

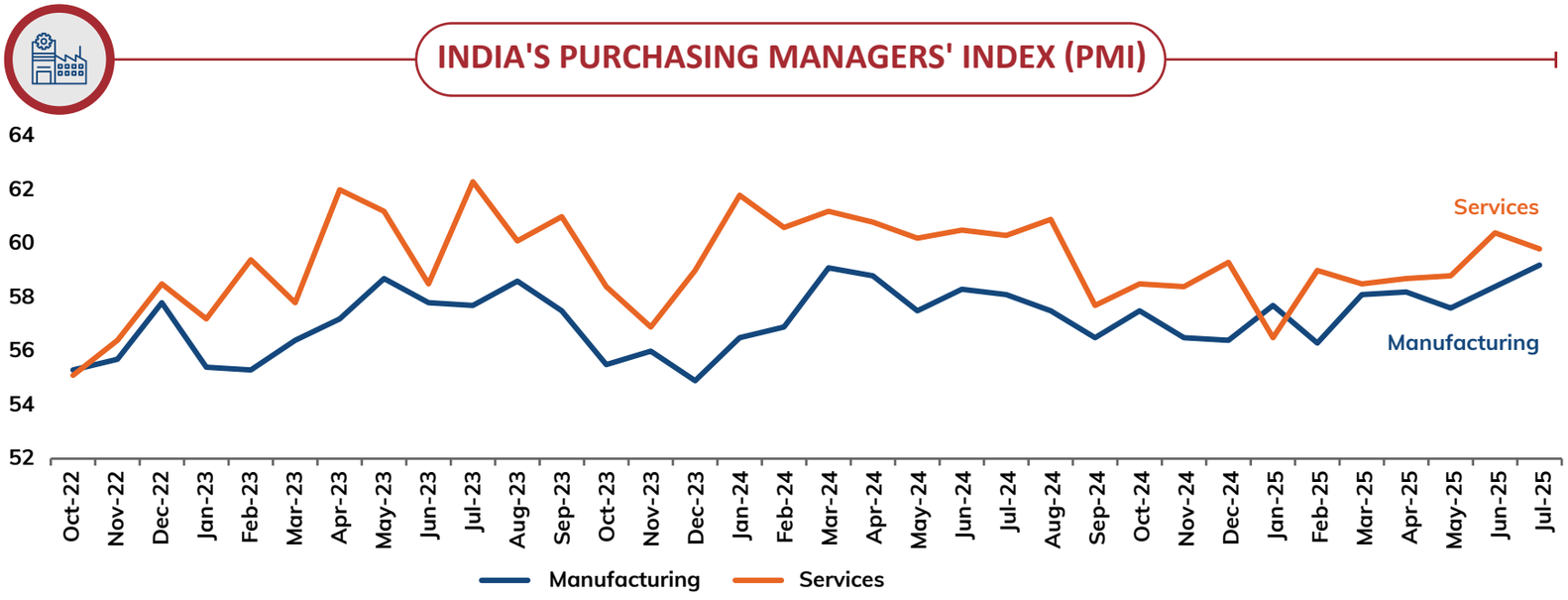
In June 2025, the RBI reduced the Repo rate by 50 basis points to 5.50%. Additionally, the **Cash Reserve Ratio (CRR) was reduced by 100 bps to 3.0%, which is expected to release primary liquidity of about ₹2.5 lakh crore into the banking system by December 2025.** Lower Cost of Borrowing for banks would in turn lower interest rate on most bank loans linked to the External Benchmark-linked Lending Rate and stimulate demand for loans, such as consumer durables, automobile, etc.

India's private sector displays robust growth, driven by the Manufacturing sector

The HSBC Flash India Manufacturing PMI rose to 59.2 in July 2025 from 58.4 in June 2025, its highest reading in nearly 17.5 years, indicating strong improvement in the health of the manufacturing industry.

a) **Rise in new orders:** The performance of India's private sector was bolstered by expansions in total sales, better operating conditions, higher export orders and a rise in output levels. New orders in the manufacturing industry increased to a greater extent than the service counterparts.

b) **International orders increased:** International orders placed with private sector companies in India continued to increase with trade across the globe, including Asia, Europe and the U.S.



Source: S&P Global. The HSBC Flash India PMI is compiled by S&P Global from responses to questionnaires sent to survey panels of around 400 manufacturers and 400 service providers. The panels are each stratified by detailed sector and company workforce size, based on contributions to GDP. The services sector is defined by S&P Global as consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. GDP: Gross Domestic Product. U.S.: United States.

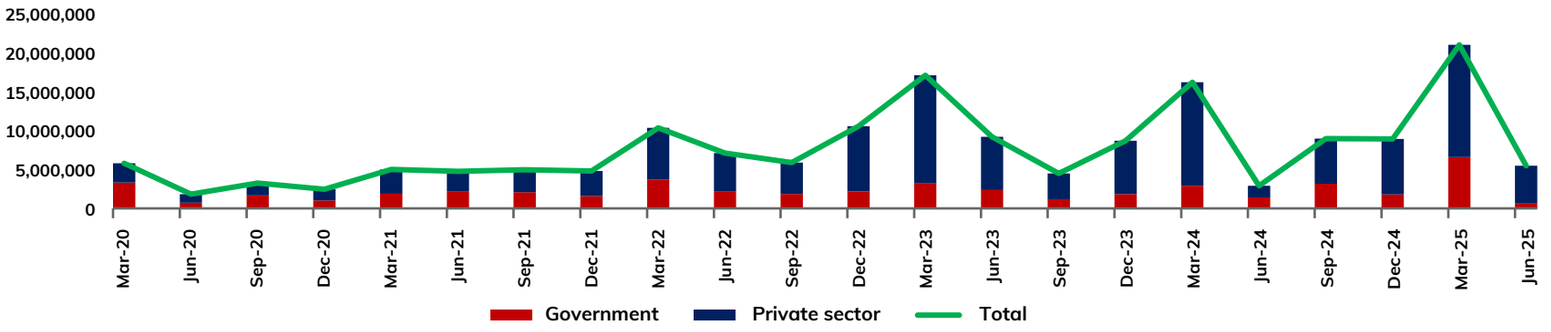
c) **Rising input pressures:** The HSBC Flash India Services PMI Business Activity Index stood at 59.8 in July 2025, down from 60.4 in June 2025. Inflationary pressures, stemming from higher input costs and output charges, continue to pose challenges for businesses.

New Projects announced plunged during the first quarter of FY 2025-26

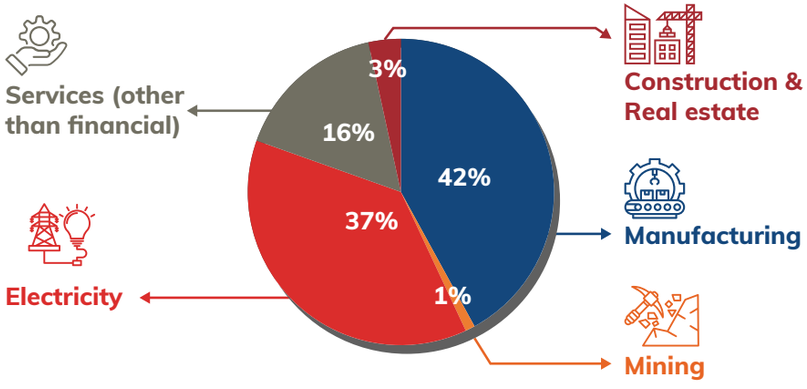
Indian companies started the financial year with a lukewarm appetite for new projects, marking the lowest level in nearly five years. **The value of new investment projects announced, which includes the Government and Private sector, plummeted to ₹5.69 lakh crore in the April-June 2025 quarter, registering a 74% fall from the previous quarter.**

During the quarter, the value of new projects announced by the Government dwindled to ₹0.64 lakh crore, lower than the April-June 2020 quarter – a phase where economies activities slowed down due to the Covid-19 pandemic. **However, the capital investment outlay for infrastructure has been increased to ₹11.21 lakh crore in the Union Budget 2025-26, indicating that Government capital expenditure could pick up steam in the following quarters.**

VALUE OF NEW INVESTMENT PROJECTS ANNOUNCED (₹, MILLION)



NEW INVESTMENT PROJECT ANNOUNCEMENTS ACROSS INDUSTRIES (% SHARE IN TOTAL INVESTMENTS)



Considering industries, the Manufacturing sector continues to dominate the pack with new projects worth ₹2.39 lakh crore.

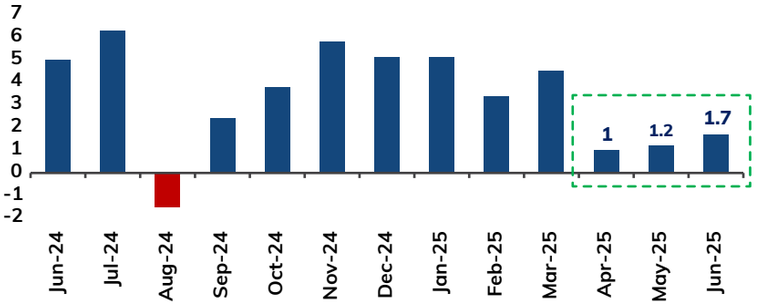
The Production Linked Incentive Scheme aims to strengthen domestic manufacturing capabilities and elevate India's position in global markets.

Source: Centre for Monitoring Indian Economy (CMIE). Data as on July 24, 2025.

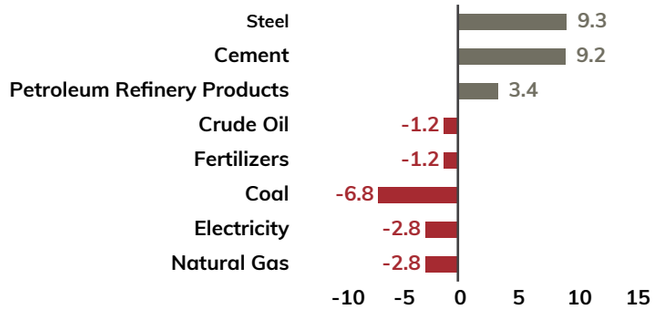
India's core sector growth remains tepid as five sectors recorded a contraction in output

India's core sector output, a key indicator of India's infrastructure sector, rose to 1.7% in June 2025, up from the revised 1.2% in May 2025. However, out of the eight key sectors, only three sectors – **steel, cement and refinery products recorded an increase in production. Traction in the steel and cement output can be attributed to a gradual revival in construction activities. While oil extraction slowed due to supply chain disruptions,** electricity demand dropped with the reduced usage of cooling appliances amid the early onset of monsoon.

INDEX OF EIGHT CORE INDUSTRIES (%)



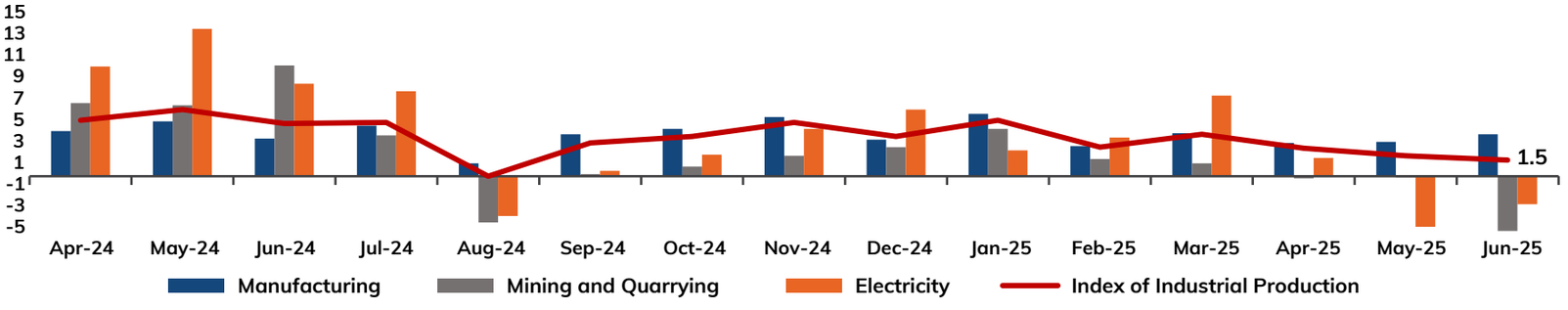
SECTOR OUTPUT GROWTH IN JUNE 2025 (%)



Source: Ministry of Commerce and Industry. The eight core sectors are: Coal, crude oil, natural gas, refinery products, fertilizers, steel, cement, and electricity. June 2025 print is provisional. Year-on-year growth.

In June 2025, India's industrial production slowed to 1.5% from the revised 1.9% in May 2025. The improvement in manufacturing sector growth was outweighed by contractions in mining and electricity sector output.

INDEX OF INDUSTRIAL PRODUCTION - MANUFACTURING, MINING AND QUARRYING, ELECTRICITY (YEAR-ON-YEAR %)



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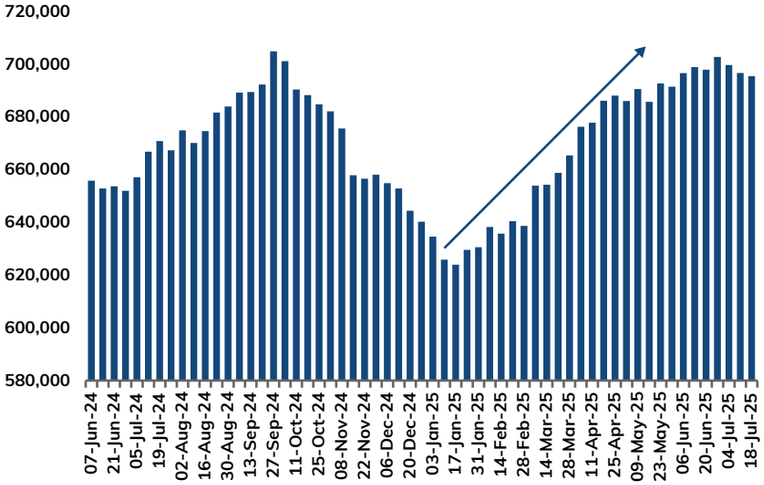
The Ascend of India's Foreign Exchange Reserves

Flashback: In January 2025, the Indian Rupee weakened to around 86.58 against the U.S. Dollar. Foreign portfolio investors offloaded Indian equities amid subdued domestic corporate earnings growth and uncertainties around the impact of potential U.S. trade tariffs on emerging markets. Amid the turbulence, the Reserve Bank of India (RBI) had to defend the Indian Rupee with foreign exchange market interventions. **During this phase, India's total foreign exchange reserves dropped to $623.98 billion in the week ended January 17, 2025. However, gold reserves continued to strengthen as the central bank diversified the basket amid flaring global geopolitical risks.**

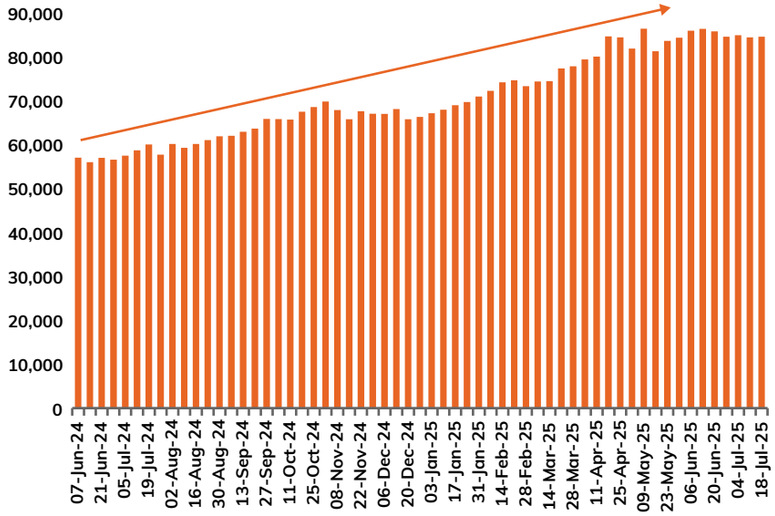
As of March 21, 2025, India's foreign exchange reserves rose to $658.8 billion – the fourth largest foreign exchange reserves held by any country. The reserves were good enough to take care of 11 months of India's imports. A healthy level of reserves acts as a buffer against global financial unrest, which could be directed to support the domestic currency.

India's foreign exchange reserves have now climbed to $695.49 billion in the week ended July 18, 2025 with Gold reserves to the tune of $84.50 billion for the week ended July 18, 2025.

INDIA'S FOREIGN EXCHANGE RESERVES ($, MILLION)



INDIA'S GOLD RESERVES ($, MILLION)



Source: Reserve Bank of India (RBI), CMIE: Centre for Monitoring Indian Economy. Data as on July 18, 2025. U.S.: United States.

The Indian Government launches the first ever incentive scheme for electric trucks

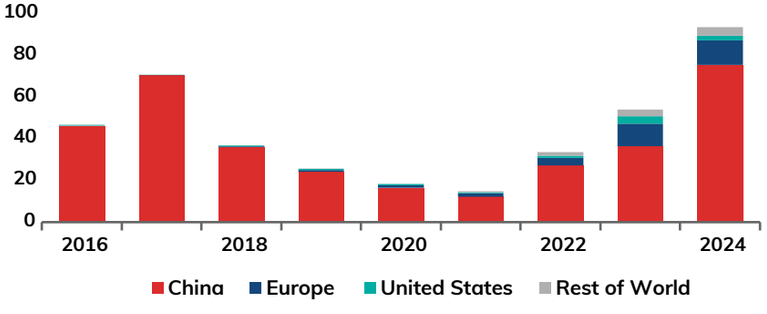
On July 11, 2025. the Ministry of Heavy Industries launched a scheme to provide financial incentives for electric trucks under the PM E-DRIVE initiative, marking a historic moment for India's transport sector.

The Government plans to incentivize about 5,600 e-trucks across the country with a dedicated provision for 1,100 e-trucks registered in Delhi. The scheme would provide financial incentives for N2 and N3 category e-trucks, with demand incentives ranging up to ₹9.6 lakh, depending on the gross vehicle weight. The N2 category includes trucks with a gross vehicle weight of above 3.5 tonnes and up to 12 tonnes, while the N3 category covers those exceeding 12 tonnes up to 55 tonnes.

Though diesel trucks constitute only 3% of the total vehicle population, it contributes to 42% of transport-related greenhouse gas emissions. Promoting clean energy adoption within the heavy vehicle segment would **bring India a step closer to the net-zero emissions goal by 2070.**

ELECTRIC TRUCK SALES BY REGION (IN THOUSAND)

Global Sales of Electric medium - and heavy-duty trucks have largely been driven by China.

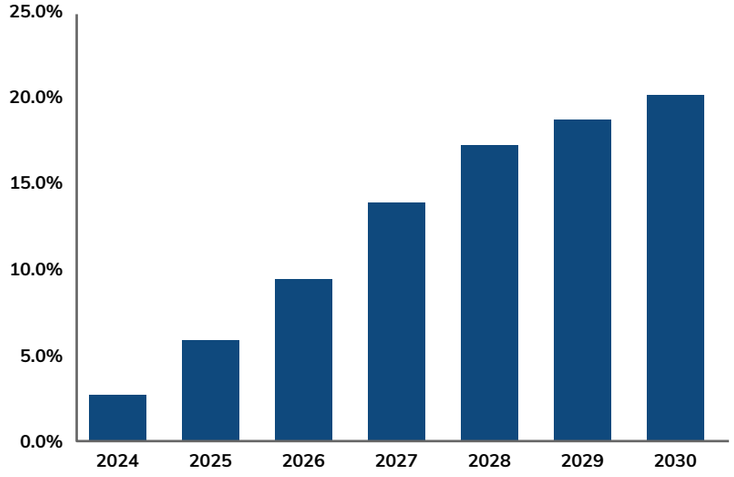


Sources: IEA analysis based on country submissions and data from EV Volumes, China Commercial Vehicle Dealers Association. ChinaEV100, DaaS for sales data for China.

Notes: Trucks refers to medium- and heavy-duty freight trucks. In China, gasoline light-duty trucks and mini trucks are categorised as Light Commercial Vehicles, not trucks. Diesel light-duty trucks are classified as medium-duty trucks (defined here as having a gross vehicle weight greater than 3.5 tonnes and less than 15 tonnes).

PASSENGER EV SHARE OF TOTAL PASSENGER VEHICLE PRODUCTION IN INDIA (%)

S&P Global estimates total electric passenger vehicle production in India to improve to about 20% of the total passenger vehicle production in the country by 2030.

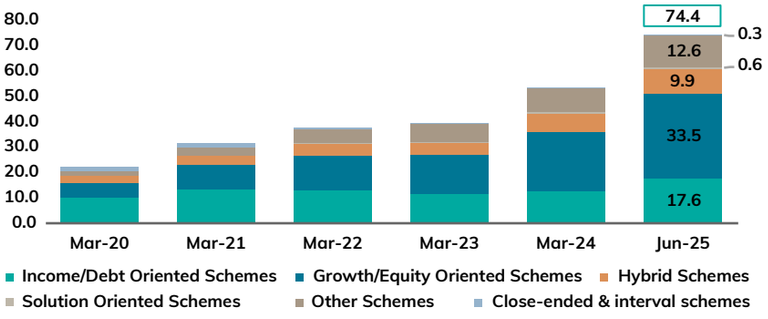


Source: S&P Global Mobility Report. EV: Electric Vehicle.

Mutual Funds - The need for professional management

The Net Assets Under Management of India's mutual fund industry has grown from ₹25.49 lakh crore as on June 30, 2020 to ₹74.41 lakh crore as on June 30, 2025, about a 3-fold increase in a span of 5 years.

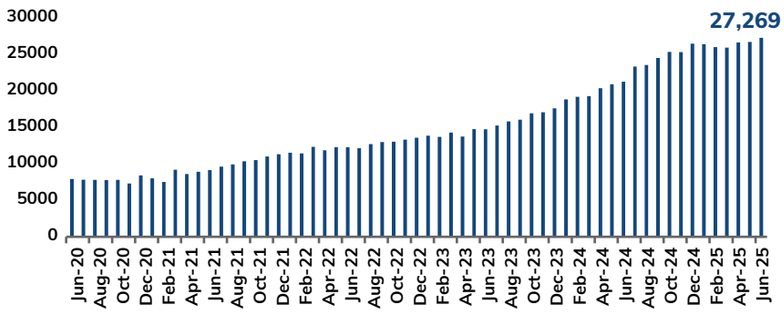
NET ASSETS UNDER MANAGEMENT (₹, LAKH CRORE)



Source: Association of Mutual Funds in India (AMFI), Crisil Intelligence

Flows into mutual funds through the Systematic Investment Plan (SIP) route surged to a record ₹27,269 crore in June 2025, indicating the inclination of investors towards disciplined investing.

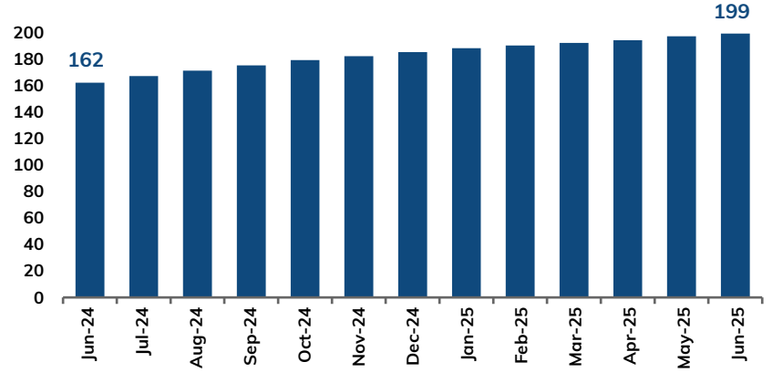
SIP CONTRIBUTION (₹ CRORE)



Source: Association of Mutual Funds in India (AMFI).

The number of demat accounts steadily increased from 162 million in June 2024 to 199.14 million in June 2025.

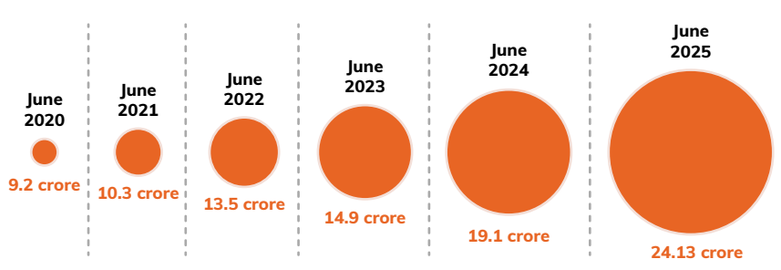
NUMBER OF DEMAT ACCOUNTS (MILLION)



Source: Central Depository Services Ltd., National Securities Depository.

The number of investor folios rose to 24.13 crore in June 2025.

NUMBER OF INVESTOR FOLIO (CRORE)



Source: Association of Mutual Funds in India (AMFI). An investor may have multiple accounts in a single fund or across funds. This is therefore not a count of number of investors, but number of accounts. Data as on June 30, 2025.

Plethora of Opportunities – Recent Trade deals with the U.S.

Amid elevated global trade risks, countries like Vietnam, Indonesia, Philippines and European Union opened doors to trade deal talks with the U.S.

Date of the deal	Country	TARIFF RATES		Trade Deal Highlights
		April 02, 2025	Trade Deal Rates	
2-Jul-25	**Vietnam**	46%	20%	Vietnam to impose zero tariffs on U.S. goods. A 40% tariff would be levied on transshipments routed through Vietnam.
16-Jul-25	**Indonesia**	32%	19%	Indonesia to offer full access to U.S. goods. Indonesia to purchase U.S. energy products worth $15 billion, farm produce of $4.5 billion and 50 aircrafts.
22-Jul-25	**Philippines**	17%	19%	Philippines to offer full access to U.S. goods, including automotive. Additionally, the countries would work on developing defence ties.
23-Jul-25	**Japan**	24%	15%	Japan to invest $550 billion in the key areas such as Energy Infrastructure, Semiconductor and Research, Critical minerals and mining, Pharmaceuticals and Defence shipbuilding. 90% of profit on these investments to be reinvested in the U.S. Japanese exports to the U.S. would attract 15% tariff. Japan to increase agriculture imports from the U.S. and buy 100 aircrafts.
27-Jul-25	**European Union**	20%	15%	European Union to purchase $250 billion of the U.S. energy products each year for three years. European Union to invest $600 billion in the U.S. European Union exports to the U.S., including auto and auto parts, would attract 15% tariffs.

Source: White House, UBS. U.S.: United States

U.S. manufacturers are now caught in a crossfire of tariffs on copper imports

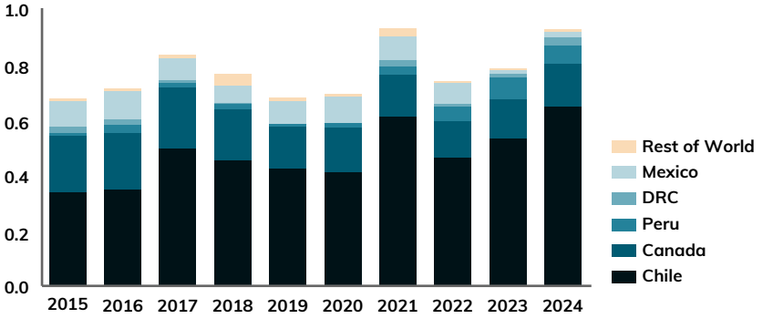
In a dramatic twist to the challenging global trade environment, the U.S. President unveiled plans to impose a 50% tariff on copper imports, which could come into effect on August 01, 2025. Why did this development spark concerns?

a) **Importance of Copper:** Copper is a vital metal for a several industries, including industrial machinery, transportation, electronics, power transmission, renewable energy and building construction.

b) **Import Dependence:** The U.S. relies heavily on copper imports, accounting for around 44% of the domestic demand. In 2024, Chile was the largest source for imports, accounting for 70% of total import volumes, followed by Canada (17%) and Peru (7%).

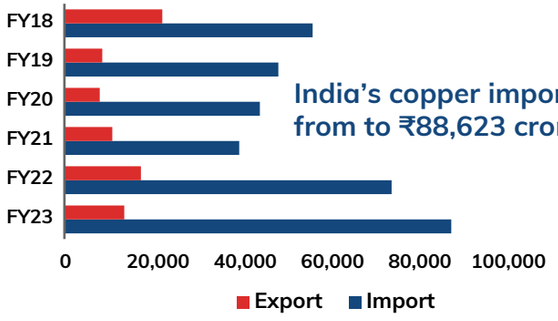
c) **Upward Strain on Prices:** Tariffs on copper imports could raise costs for U.S. manufacturers without a domestic alternative, resulting in a ripple effect through the supply chain.

U.S. ANNUAL IMPORTS OF REFINED COPPER (MILLION METRIC TONNES)



Source: U.S. Department of Commerce. U.S.: United States. DRC: Democratic Republic of the Congo.

INDIA'S IMPORT AND EXPORT OF COPPER - ALL FORMS (₹, CRORE)



Source: Ministry of Mines. Government of India. Vision Document on Copper Sector report, 2025. FY: Financial Year.

The impact of tariffs on copper imports could be relatively lesser for India. For India, Indonesia stands as the top exporter, accounting for about 27% of India's copper ore and concentrate imports, followed by Chile at 25% and Peru at 14% (Source: Government of India, Vision Document on Copper 2025).

The story of High-frequency indicators

High Frequency Indicators for Rural and Urban Demand: Tractor sales recorded a strong year-on-year growth of 8.7%, supported by strong rural demand. Retail automobile sales growth moderated marginally but stayed above the average level.*

High Frequency Indicators- Rural and Urban Demand- Growth Rate

		Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Urban demand	Domestic air passenger traffic	6.9	7.6	6.7	7.4	9.6	13.8	10.8	14.1	12.1	9.9	9.7	2.6	3.9
	Retail passenger vehicle sales	-6.8	10.2	-4.5	-18.8	32.4	-13.7	-2.0	15.5	-10.3	6.3	1.6	-3.1	2.5
Rural demand	Retail automobile sales	0.7	13.8	2.9	-9.3	32.1	11.2	-12.5	6.6	-7.2	-0.7	3.0	5.1	4.8
	Retail tractor sales	-28.4	-11.9	-11.4	14.7	3.1	29.9	25.8	5.2	-14.5	-5.7	7.6	2.8	8.7
	MGNREGS: work demand	-21.7	-19.5	-16.0	-13.4	-7.6	3.9	8.2	14.4	2.8	2.2	-6.5	4.5	4.4
	Retail Two-wheeler sales	4.7	17.2	6.3	-8.5	36.3	15.8	-17.6	4.2	-6.3	-1.8	2.3	7.3	4.7

<<<<<<Contraction----------Expansion>>>>>>

Source: Reserve Bank of India Bulletin July 2025. Airports Authority of India; Federation of Automobile Dealers Associations (FADA), Ministry of Rural Development, Government of India. *Average level for retail automobile sales refers to the period during the last 12 months, i.e., June 2024 to May 2025. In the colour gradient, red denotes the lowest values and green corresponds to the highest values of the respective data series. MGNREGS: Mahatma Gandhi National Rural Employment Guarantee Scheme.

High frequency indicators for overall economic activity: While E-way bills displayed strong growth in July 2025, goods and services tax revenue collections moderated during the month. In value terms, digital transactions growth picked-up, supported by an uptick in the growth of real time gross settlements.

High Frequency Indicators- Economic Activity- Growth Rate

	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
GST E-way bills	16.3	19.2	12.9	18.5	16.9	16.3	17.6	23.1	14.7	20.2	23.4	18.9	19.3
GST revenue	7.6	10.3	10.0	6.5	8.9	8.5	7.3	12.3	9.1	9.9	12.6	16.4	6.2
Toll collection	5.8	9.4	6.8	6.5	7.9	11.9	9.8	14.8	18.7	11.9	16.6	16.4	15.5
Electricity demand	8.0	4.0	-5.0	-0.8	-0.4	3.7	5.1	1.3	2.4	5.7	2.8	-4.8	-1.9
Petroleum consumption	2.3	10.7	-3.1	-4.4	4.1	10.6	2.0	3.0	-5.2	-3.1	0.2	1.1	1.9
Of which Petrol	4.6	10.5	8.6	3.0	8.7	9.6	11.1	6.7	5.0	5.7	5.0	9.2	6.8
Diesel	1.0	4.5	-2.5	-1.9	0.1	8.5	5.9	4.2	-1.3	0.9	4.2	2.2	1.6
Aviation turbine fuel	10.1	9.6	8.1	10.4	9.4	8.5	8.7	9.4	4.2	5.7	3.9	4.3	3.3
Digital payments -volume	40.6	36.7	34.9	36.3	40.3	30.1	33.1	33.0	26.7	30.8	30.0	29.2	26.6
Digital payments - value	13.5	22.1	16.7	21.5	27.5	9.5	19.6	18.6	9.5	17.3	18.4	12.6	17.7

<<<<<<Contraction----------Expansion>>>>>>

Source: Goods and Services Tax Network, Reserve Bank of India Bulletin July 2025, Central Electricity Authority (CEA), Ministry of Petroleum and Natural Gas, Government of India. Year-on-year growth in percentage has been calculated for all indicators. GST: Goods and Services Tax. In the colour gradient, red denotes the lowest values and green corresponds to the highest values of the respective data series.

The story of High-frequency indicators

High Frequency Indicators for Industry Growth: Available high-frequency indicators for June 2025 signify modest industrial activity, with steady expansion manufacturing activities and strong growth output of capital goods and steel. Conventional electricity generation remained subdued due to early onset of monsoon and softer industrial output. According to the World Economic Forum report, India is leading the clean energy investments in emerging markets.

High Frequency Indicator – Industry Growth (Year-on-Year %)

	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Eight core index	5.0	6.3	-1.5	2.4	3.8	5.8	5.1	5.1	3.4	4.5	1.0	1.2	1.7
Electricity generation: conventional	9.7	6.8	-3.8	-1.3	0.5	2.7	4.5	-1.3	2.4	4.8	-1.9	-8.2	-6.4
Automobile production	15.4	16.8	4.4	10.1	10.0	8.0	1.3	9.4	2.3	6.5	-1.7	5.2	1.2
Passenger vehicle production	0.8	1.2	0.7	-3.4	-4.0	6.5	9.2	3.7	4.5	11.2	10.8	5.4	-1.8
Tractor production	3.0	8.1	-1.0	2.7	0.4	24.7	20.9	23.7	-7.8	18.5	20.5	9.1	9.8
Two-wheelers production	18.7	21.1	4.9	12.9	13.3	8.8	-0.6	10.3	1.6	5.6	-4.1	4.7	1.4
Three-wheelers production	7.8	6.0	9.0	3.9	-6.7	-5.5	7.6	16.2	6.5	6.0	4.1	16.9	8.6
Crude steel production	3.5	5.8	2.6	0.3	4.2	4.5	8.3	7.4	6.0	8.5	9.3	9.7	12.2
Finished steel production	5.4	6.0	2.7	0.7	4.0	2.8	5.3	6.7	6.7	10.0	6.6	6.8	12.5
Import of capital goods	15.1	11.8	12.3	10.9	7.0	4.7	6.1	15.5	-0.5	8.6	21.5	14.3	2.6

<<<<<<Contraction----------Expansion>>>>>>

Source: Reserve Bank of India Bulletin July 2025. Year-on-year growth in percentage has been calculated for all indicators. In the colour gradient, red denotes the lowest values and green corresponds to the highest values of the respective data series. Central Electricity Authority (CEA), Ministry of Power; Society of Indian Automobile Manufacturers (SIAM), Office of Economic Adviser, Government of India; Joint Plant Committee; Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce and Industry.

High Frequency Indicator for Employment: As per the Naukri JobSpeak Index, organized job listings recorded strong growth, led by robust hiring in artificial intelligence, insurance, hospitality, business process outsourcing/ information technology enabled services and real estate.

High Frequency Indicator – Employment (Year-on-Year %)

	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Naukri JobSpeak index	-7.6	11.8	-3.4	6.0	10.0	2.0	8.7	3.9	4.0	-1.5	8.9	0.3	10.5

<<<<<<Contraction----------Expansion>>>>>>

Source: Reserve Bank of India Bulletin July 2025. Info Edge. In the colour gradient, green corresponds to the highest values of the respective data series. The sector(s) /stock(s) mentioned in this presentation do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or may not have any future position in these sector(s)/stock(s). The portfolio of the scheme is subject to changes within the provisions of the Scheme Information Document of the Scheme.

Update on Q1 FY26 corporate earnings season

The current Q1FY26 corporate earnings season signifies that though India's macroeconomic fundamentals remain stable, both consumer spending and investment cycles are yet to gain traction.

BANKS

During the June 2025 quarter, Indian banks displayed moderation in credit demand. However, the banking sector continues to display stability on the back of capital buffers, non-performing loans ratios at multi-decadal low and improved operational performance. In a pivotal move, the Reserve Bank of India (RBI) reduced the repo rate to 5.5% in June 2025, which would support credit growth in the following quarters.

INFORMATION TECHNOLOGY

The Information Technology (IT) sector reported modest growth as global trade uncertainties and delayed wage hikes weighed on market sentiment. The growing demand for Artificial intelligence, digital transformation and cloud technologies are expected to drive the revenue stream of IT companies.

AUTOMOBILE COMPANIES

While the volumes of commercial vehicles remained relatively weak, the sales of tractors surged, indicating strong rural demand. Tractor sales have been supported by bright agricultural prospects – favourable monsoon, improved crop owing conditions and healthy reservoir levels

FAST MOVING CONSUMER GOODS

In the previous quarter, profitability of Fast Moving Consumer Goods (FMCG) companies was impacted by subdued urban demand for discretionary products. However, consistent easing of India's retail inflation inflation and stimulus monetary policy measures by the central bank are expected to provide the much-needed impetus.

STEEL

The Indian Government imposed a 12% safeguard duty on the import of certain non-alloy and alloy steel flat products for 200 days (Source: Ministry of Steel, April 21, 2025). This move could support the operating profit margins of domestic steel manufacturers. Additionally, a rise in construction activities is likely to benefit cement and steel sectors.

PHARMACEUTICALS

Despite facing pricing pressure on key products from international markets, India's pharmaceuticals businesses could deliver steady earnings growth, buoyed by strong domestic demand.

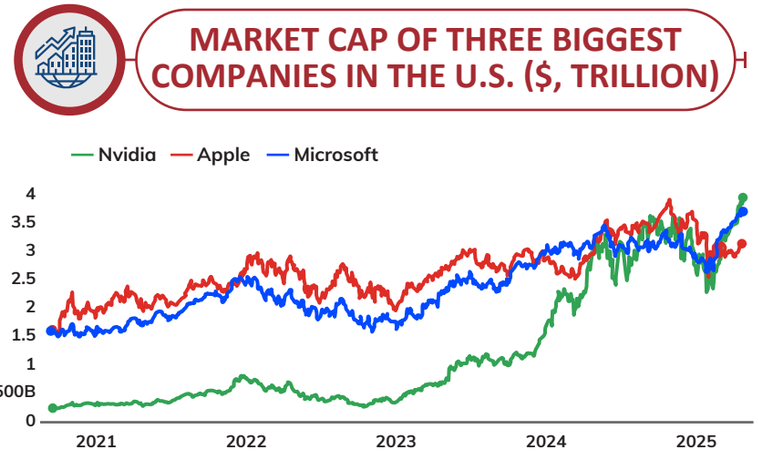
Other Key Developments

RBI bans foreclosure charges on floating rate micro, small business loans: The RBI has asked banks to not levy foreclosure charges or pre-payment penalties on floating rate loans granted to micro and small enterprises. These directions shall apply to all commercial banks (excluding payments banks), co-operative banks, NBFCs and All India Financial Institutions. The new regulations are applicable for all loans sanctioned or renewed after January 01, 2026 (Source: Reserve Bank of India).

The Employment Linked Incentive (ELI) Scheme: The Union Cabinet approved the Employment Linked Incentive Scheme to support employment generation and enhance social security across all sectors, with special focus on the manufacturing sector. With an outlay of ₹99,446 Crore, the ELI Scheme aims to incentivize the creation of more than 3.5 crore jobs in the country, over a period of 2 years. Under the Scheme, first-time employees will get one month's wage (up to ₹15,000). Additionally, the employers will be given incentives for a period to two years for generating additional employment, with extended benefits for another two years for the manufacturing sector. The benefits of the Scheme would be applicable to jobs created between August 01, 2025 and July 31, 2027 (Source: Cabinet, Press released as on July 01, 2025).

RBI's Financial Inclusion Index improves: The Reserve Bank of India's Financial Inclusion Index increased to 67 in March 2025 from 64.2 in March 2024. Growth was witnessed across all sub-indices, which includes Access, Usage and Quality.

Market capitalization of Nvidia: Nvidia designs application programming interface for data science and high-performance computing as well as system on chip units for automotive market. On July 09, 2025, Nvidia's market capitalization hit $4 trillion, making it the first public company in the world to reach the milestone.



Source: Reuters, LSEG, Data as on July 09, 2025. Cap: Capitalization. B: Billion.

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And it is a wrap for the month

Uncertainties around global trade flows and disruptions of supply chains pose headwinds to global economic prospects. India is building more resilient trade partnerships, facilitating opportunities to expand exports and integrate with global value chains. Domestic economic activity remains steady with improving Kharif agricultural season prospects and continuation of strong momentum in the manufacturing sector. Banking system's liquidity remained in surplus, improving the potential of a faster transmission of policy rate cuts to the credit markets. Growth in rural demand remained resilient. Further, softening retail inflation and moderating merchandise trade deficit are positive developments.

PICTURE OF THE MONTH

The pictures used in this document are for illustration purpose only.

Disclaimer

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

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