FIRST LIGHT

04 June 2025

RESEARCH

BOB ECONOMICS RESEARCH | BONDS WRAP

Fortnightly review

BOB ECONOMICS RESEARCH | CURRENCY UPDATE

Fortnightly forex review

BOB ECONOMICS RESEARCH | MONETARY POLICY EXPECTATIONS

RBI to go in for a hat-trick

AUTOMOBILES

2W segment stays in sweet spot; PV YTD growth a surprise

SUMMARY

INDIA ECONOMICS: BONDS WRAP

Global yields showed some stiffening in May'25 led by elevated debt concerns in the US which partly weighed down risk off sentiments. For India, however, the softening of yields continued across all part of the curve. The significant moderation was visible in the very short end part which is more susceptible to evolution of system liquidity. Thus, it resulted in a steeper yield curve, which is likely to persist. RBI's orderly management has ensured system liquidity to be in a comfortable surplus of ~0.7% of NDTL in May'25. The elevated system liquidity also got mirrored in banking liquidity where the gap between incremental deposits and borrowing net of incremental credit and investment went up.

Click here **for the full report.**

INDIA ECONOMICS: CURRENCY UPDATE

In a turnaround of events, INR depreciated by (-) 1.3% in May'25, after appreciating by 1.1% in Apr'25, and 2.4% in Mar'25. Less sharp decline in the US dollar (-0.1%) due to revival in global trade tensions, and escalated geo-political tensions between India and Pakistan during early May'25, impacted INR's rally. INR fell by (-) 1.2% in the first fortnight of May'25, before stabilizing in the second fortnight (0%). Weak economic data (consumption demand, impact of tariffs on growth, labour market slowdown) from the US in the second fortnight of May'25 led to US$ falling by 1.5% in that period, erasing gains (1.4%) made in the first fortnight.

Click here **for the full report.**

BOBCAPS Research
research@bobcaps.in

INDIA ECONOMICS: MONETARY POLICY EXPECTATIONS

Given that RBI's mandate is to keep inflation within the targeted range, and since CPI has remained on the lower to middle end of RBI's band since Jan'25, we expect another back-to-back rate cut by the central bank in its upcoming policy. Since the start of CY25, RBI has announced 2 rate cuts of 25bps each so far (Feb'25 and Apr'25), bringing down the policy repo rate to 6%. We even expect the central bank to revise its inflation projection for FY26 down by ~10bps, as its Q1 forecast will undershoot by 30-40bps, given the continued moderation in food prices. Further, assuming normal monsoon and subdued oil and other global commodity prices, we expect this trend of softening will continue.

Click here for the full report.

AUTOMOBILES

- PV overall volumes grew ~5% YTD with the premium SUV segment driving the growth as compact car worries persist
- 2W segment continues its healthy pace, adding ~9.0%/18.0% YoY/MoM despite the relative drag by Hero Motors sustains
- Tractors growth path firms with 11.3% YoY growth; CV segment stays flat YoY gain driven by exports even as domestic sales stay muted

Click here for the full report.

BONDS WRAP

03 June 2025

Fortnightly review

Dipanwita Mazumdar
Economist

Global yields showed some stiffening in May'25 led by elevated debt concerns in the US which partly weighed down risk off sentiments. For India, however, the softening of yields continued across all part of the curve. The significant moderation was visible in the very short end part which is more susceptible to evolution of system liquidity. Thus, it resulted in a steeper yield curve, which is likely to persist. RBI's orderly management has ensured system liquidity to be in a comfortable surplus of ~0.7% of NDTL in May'25. The elevated system liquidity also got mirrored in banking liquidity where the gap between incremental deposits and borrowing net of incremental credit and investment went up.

Going forward, we expect some pressure on account of the usual seasonal buildup of government cash balance. However, RBI's transfer of bountiful dividend coupled with continued fine tuning of daily liquidity will lend support. We expect more OMO announcements in the coming days to maintain the 1% of NDTL surplus level. Thus, RBI's upcoming policy will set the undertone of yields. Any reduction in policy rate more than the expected 25bps might lead India's 10Y yield to trade further downward. We expect it to trade in the range of 6.15-6.27% in the current month, with risks tilted to the downside.

Elevated debt concerns in the US impacted yields:

- Among major global yields, the US 10Y yield has risen the most. This is on account of downgrade of US sovereign credit rating by one notch on account of the expanding fiscal deficit and burgeoning debt burden. Apart from this, the ruling of US Court against the President's tariff policies which have been deemed to be illegal, have lend support to its yield. However, after the current stay order secured by the US President and elevated concerns of fresh tariff on steel and aluminum at 50% from earlier rate of 25%, some rebalancing of portfolio towards safer sovereign asset class might be witnessed. The US Treasury secretary also spoke of US-China talks as being "bit of stalled". There have been reports of fresh round of restrictions from the US catering to sale of chip design software and some engine jet parts to China. Thus, the odds are in favour of some softening of US 10Y yield in the near term. Majority of the high frequency data in the US ranging from core retail sales, core PCE, GDP Q1 second estimate, labour market and trade data, all signal some loss of momentum. The commentaries of Fed officials also indicate that any deflection from the base case tariff of 10% might be double whammy in terms of growth and inflation. Thus, risk-off sentiment is likely to dominate and signal some moderation in the US 10Y yield in the current month.

CURRENCY UPDATE

02 June 2025

Fortnightly forex review

Sonal Badhan
Economist

In a turnaround of events, INR depreciated by (-) 1.3% in May’25, after appreciating by 1.1% in Apr’25, and 2.4% in Mar’25. Less sharp decline in the US dollar (-0.1%) due to revival in global trade tensions, and escalated geo-political tensions between India and Pakistan during early May’25, impacted INR’s rally. INR fell by (-) 1.2% in the first fortnight of May’25, before stabilizing in the second fortnight (0%). Weak economic data (consumption demand, impact of tariffs on growth, labour market slowdown) from the US in the second fortnight of May’25 led to US$ falling by 1.5% in that period, erasing gains (1.4%) made in the first fortnight.

Losses in INR were contained by lower oil prices and FPI inflows. Going forward, as trade tension are expected to escalate in the coming weeks, pressure on INR will remain. However, strong domestic fundamentals (GDP growth, inflation, and monsoon), lower international oil prices will help limit the losses. We expect INR to trade with a depreciating bias in the near-term in the range of 85-86/$.

Movement in global currencies:

Global currencies continued to appreciate against the dollar in May’25. DXY fell only marginally by (-) 0.1% last month, following (-) 4.6% decline in Apr’25. It depreciated mainly in the second fortnight of May’25 (-1.5%), following strong gains (1.4%) made in the first fortnight. US BEA data re-confirmed that GDP (QoQ basis) contracted in Q1CY25, by (-) 0.2% versus (-) 0.3% as per advance estimates. Upward revision to gross private domestic investment (24.4% versus 21.9%), was offset was downward revisions to domestic consumption (1.2% versus 1.8%) and net trade. This is reflective of the economic cost of US’ tariff policies. Consumption growth has hit the lowest level since Q2CY23, while net contribution of trade to % change in Real GDP was more negative than previously expected. Softening inflation growth—core PCE down to 2.5% in Apr’25 versus 2.7% in Mar’25; and muted consumer sentiment has also led investors to believe that Fed will lower rates by 2-3 times this year, beginning from Sep’25. Further supporting this argument is slowdown seen in the labour market. The 4-week moving average of continuing jobless claims has risen to 1.89mn as of week ending 29 May 2025—highest level since Nov’21. From a peak of ~110, the DXY has fallen by 9.7% in May’25.

MONETARY POLICY EXPECTATIONS

03 June 2025

RBI to go in for a hat-trick

Sonal Badhan
Economist

Given that RBI's mandate is to keep inflation within the targeted range, and since CPI has remained on the lower to middle end of RBI's band since Jan'25, we expect another back-to-back rate cut by the central bank in its upcoming policy. Since the start of CY25, RBI has announced 2 rate cuts of 25bps each so far (Feb'25 and Apr'25), bringing down the policy repo rate to 6%. We even expect the central bank to revise its inflation projection for FY26 down by ~10bps, as its Q1 forecast will undershoot by 30-40bps, given the continued moderation in food prices. Further, assuming normal monsoon and subdued oil and other global commodity prices, we expect this trend of softening will continue.

We maintain our inflation forecast at ~3.8-3.9% for FY26. Growth forecasts on the other hand will likely remain unchanged as the central bank takes note of rising global trade uncertainties and its impact on growth. Our GDP forecast for FY26 at 6.4-6.6% also remains unchanged so far. RBI will continue with its "accommodative" stance as it aims to keep liquidity at comfortable levels to support credit growth. Cumulatively we expect 100 bps cut in the current cycle.

What has changed since the last policy?: Since the last policy, RBI will be evaluating performance of economic activity, trend in inflation, arrival of monsoon, movement of domestic high frequency indicators, and developments regarding global growth scenario.

Domestic growth scenario: Latest data release by Mospi shows that economic activity moderated in FY25, partly due to base effect, as GDP rose by 6.5% compared with 9.2% in FY24. This was unchanged from the second advanced estimates released in Feb'25. On a quarterly basis, Q4FY25 growth came in at 7.4% which was highest in past four quarters. Both annually and in Q4, agriculture growth was a major support compared with last year, while manufacturing and mining sector growth softened. The last quarter of FY25 also got support from improvement in construction and services activities, driven by seasonal factors (marriage season, Mahakumbh).

High-frequency indicators: In Q1FY26 so far (Apr/May'25), economic activity is signalling mixed trends. Indicators which are showing an improvement or are holding ground so far include: domestic air passenger traffic growth (4.8% versus 4.9% during the same period last year), GST collections (Rs 4.4 lakh crore versus Rs 3.8 lakh crore), diesel consumption (3.2% versus 1.9%), vehicle registrations (45.3 lakh units versus 43.4 lakh units), and toll collections (18.3% versus 5.6%).

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

AUTOMOBILES

03 June 2025

2W segment stays in sweet spot; PV YTD growth a surprise

- **PV overall volumes grew ~5% YTD with the premium SUV segment driving the growth as compact car worries persist**
- **2W segment continues its healthy pace, adding ~9.0%/18.0% YoY/MoM despite the relative drag by Hero Motors sustains**
- **Tractors growth path firms with 11.3% YoY growth; CV segment stays flat YoY gain driven by exports even as domestic sales stay muted**

Milind Raginwar
research@bobcaps.in

Passenger vehicle segment YTD growth at 5%: The domestic PV industry fell by 1.9%/3.1 YoY/MoM) to 0.32mn units. MSIL volume outpaced industry with 3.2% YoY growth (flat MoM) driven by the SUV segment that grew by 1.3% YoY against the car segment that fell by ~12% YoY. Exports jumped by a strong 80%/12% YoY/MoM. TTMT domestic volumes fell by 11%/9% YoY/MoM and now occupies 4th position while MM sales gained by 21% YoY (flat MoM) driven by SUV sales. Hyundai India's domestic volume fell by 8%/3% YoY/MoM gaining second spot. Despite the YoY weakness in May, the PV segment YTD growth was healthy 5%.

2W growth driven by exports: Following a weak show in April, the 2W segment regained strength with a jump of 9.0%/18% YoY/MoM. It was a mixed bag, with TVSL and EIM outperforming by ~16%/25% YoY gains, while HMCL continuing with a drag at 1.9% YoY (vendor-related issues). Exports grew by a strong ~21.0%/6.3% YoY/MoM vs domestic volume that grew by 6.3% YoY.

3W segment: 3W volumes grew 12%/11%YoY/MoM, driven by exports markets that nearly doubled to 30K units from 16K units, driven by TVS and BJAUT. Domestic markets volume fell 10% YoY (+9% MoM). BJAUT and TVSL domestic 3W volume dipped 7%/48% YoY (+7%/+5% MoM). BJAUT export volume grew 37%/13% YoY/MoM to 17.9K units, holding a total market share of 70.6% vs 75.3% YoY.

Tractors segment: Tractor sales grew by a healthy 11.3% YoY (5% MoM on a strong base). MM grew 10% YoY (flat MoM) in domestic markets and its overall market share improved at 79.6% vs 72% YoY. ESCORTS grew 18%/19% YoY/MoM in domestic markets that drove the overall growth of 20%/18%.

Commercial Vehicles: CV segment volumes were flat YoY, driven by AL gaining ~ 6% YoY, offsetting TAMO's loss of 6% and EIM adding 7.3%8.1% YoY/MoM. MHCV segment was the driver staying flat YoY (fell by 15.4% MoM). Exports beat domestic growth adding 31.3%/17.8 YoY/MoM vs a fall of 3%/4% YoY/MoM (domestic).

Key ratings: BUY rating on MSIL, MM and AL, and SELL on ESCORTS and VSTT.

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**
Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**
Brand Name: **BOBCAPS**
Trade Name: **www.barodaetrade.com**
CIN: **U65999MH1996GOI098009**

Logo:

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.
Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Analyst certification

Each of the analysts mentioned in this research report certify, with respect to the sections of the report for which they are responsible, that (1) all of the views expressed in this report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

Important disclosures

This product is a compilation of previously published research notes. To view the complete report along with the associated Analyst certifications and Company-specific disclosures, please click on the hyperlink accompanying each excerpt.

General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Other disclosures

BOBCAPS does not have any financial interest in the subject company. BOBCAPS does not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS is not engaged in any market making activities for the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

Other disclaimers

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an "as is" basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the "**Losses**") which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

Distribution into the United Kingdom ("UK"):

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd) ("**MSL**") who is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom (MSL and its affiliates are collectively referred to as **"MAYBANK**"). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the "Order"), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as "relevant persons").

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

No distribution into the US:

This report will not be distributed in the US and no US person may rely on this communication.

Other jurisdictions:

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.