

FIRST LIGHT 02 July 2025

### **RESEARCH**

## **BOB ECONOMICS RESEARCH | BONDS WRAP**

Fortnightly review

## **BOB ECONOMICS RESEARCH | CURRENCY UPDATE**

Fortnightly forex review

## **BOB ECONOMICS RESEARCH | MONSOON UPDATE**

Monsoon and Sowing progress

### **BUILDING MATERIALS**

Mixed trade flow: Positive for MDF; Negative for tiles

### **SUMMARY**

## INDIA ECONOMICS: BONDS WRAP

Global yields showed the impact of risk aversion on the backdrop of geopolitical conflict in the Middle East. This kept yields of major AEs such as the US and UK to trade with a softening bias. In the US, weaker macro print, especially cooling labour market conditions, raised hopes of an easier monetary policy in the near term. India's 10Y yield however showed some upward bias albeit more than expected dovish policy by RBI. Some expectation driven pricing might have come into play as OIS rates show most of the frontloading of rates by RBI has already happened. Higher outflow (on account of lower interest rate differential with the US) both through the debt-VRR and FAR route by FPIs has also contributed to some degree of stiffening of India's 10Y yield.

Click here for the full report.

## **INDIA ECONOMICS: CURRENCY UPDATE**

INR depreciated by 0.2% in Jun'25, following 1.3% depreciation registered in May'25. Rupee's performance rebounded (0.4% appreciation) in the second fortnight of Jun'25, as tensions in the Middle East eased. This resulted into softer oil prices and improvement in risk appetite of investors. Equity flows remained positive for the third consecutive month in Jun'25, while debt outflows accelerated. Weakness in US\$ also helped, which is mainly led by concerns surrounding fiscal policies, stagflation risks and Fed's independence. Although we expect some amount of volatility as we near the US tariff pause deadline (9 Jul), overall we believe weakness in US\$ will persist considering its domestic factors.

Click here for the full report.

BOBCAPS Research research@bobcaps.in





## **INDIA ECONOMICS: MONSOON UPDATE**

South West monsoon picked up pace and so far has received above normal rainfall at 9% above LPA till 30 Jun 2025. This has resulted in higher sown area of kharif crops compared with last year. Higher acreage of pulses, rice and oilseeds has been registered. Out of 36, 19 sub-divisions (49% of the country) have received normal to excess rainfall during this period, while 10 states are in the deficient zone. Region-wise, a broad based deviation has been noted across all the regions. East and North eastern India reported deficient rainfall (-17%), followed by Southern Peninsula (-3%) while central (25%) and North Western regions (42%) have reported above normal rainfall. For July'25, IMD expects above normal rainfall at 106% above LPA. Though, some parts of Southern peninsula and some regions in North Western region might witness below normal rainfall.

Click here for the full report.

## **BUILDING MATERIALS**

- Domestic tiles realisation to remain under pressure in near future, due to weak tiles exports (-3.3% YoY in Apr'25)
- India's laminates monthly net export volume run rate was up 18.9% YoY on a low base effect, but was down 12.6% MoM in Apr'25
- MDF and particleboard net imports fell sharply for two consecutive months (i.e. Mar-Apr'25), given the BIS implementation in Feb'25

Click here for the full report.

EQUITY RESEARCH 02 July 2025



## **BONDS WRAP**

01 July 2025

## Fortnightly review

Global yields showed the impact of risk aversion on the backdrop of geopolitical conflict in the Middle East. This kept yields of major AEs such as the US and UK to trade with a softening bias. In the US, weaker macro print, especially cooling labour market conditions, raised hopes of an easier monetary policy in the near term. India's 10Y yield however showed some upward bias albeit more than expected dovish policy by RBI. Some expectation driven pricing might have come into play as OIS rates show most of the frontloading of rates by RBI has already happened. Higher outflow (on account of lower interest rate differential with the US) both through the debt-VRR and FAR route by FPIs has also contributed to some degree of stiffening of India's 10Y yield.

**Dipanwita Mazumdar** Economist

The yield curve continued to show steepening bias as very long part of the curve (13 year and above) showed upward momentum. Going forward, we expect some correction. The long run part is expected to be stable as both global (risk off sentiment ahead of 9 Jul tariff deadline) and domestic macros (in terms of lower inflation numbers and favourable liquidity conditions) are supposed to act in favour. On liquidity front, the announcement of VRRR by RBI has hinted at normalisation and resorting back to the 1% NDTL surplus level. The extension of call money market hours is also a welcoming move towards improving its liquidity and volume, thus enabling further realignment of operating target variable to repo. Against all these backdrops, we expect India's 10Y yield to trade with a softening bias in the range of 6.25-6.35% in the current month.

## Geopolitics impacted yields:

Risk averse sentiments weighed by geopolitical conflict in Middle East impacted the direction of global yields in Jun'25. US 10Y yield considerably softened buoyed by weakening high frequency indicators. Core retail sales softened, capacity utilisation moderated, new home sales dropped, the Q1 third estimate also came in lower than anticipated driven by slowdown in services driven spending. Labour market also weakened as 4-week initial claims data remained elevated. Core PCE showed marginal pickup albeit inflation expectations remaining well anchored (U. of Michigan 1 & 5 year inflation expectation index edged down). The yields got support from the Fed median rate projections for CY25 which hints at 50bps rate cut in CY25. Further, Fed Chair, in his recent testimony before the Senate and House reaffirmed that if inflation remains durably aligned to Fed's target, rate cut will happen sooner.





# **CURRENCY UPDATE**

01 July 2025

## Fortnightly forex review

INR depreciated by 0.2% in Jun'25, following 1.3% depreciation registered in May'25. Rupee's performance rebounded (0.4% appreciation) in the second fortnight of Jun'25, as tensions in the Middle East eased. This resulted into softer oil prices and improvement in risk appetite of investors. Equity flows remained positive for the third consecutive month in Jun'25, while debt outflows accelerated. Weakness in US\$ also helped, which is mainly led by concerns surrounding fiscal policies, stagflation risks and Fed's independence. Although we expect some amount of volatility as we near the US tariff pause deadline (9 Jul), overall we believe weakness in US\$ will persist considering its domestic factors.

Sonal Badhan Economist

Domestically, strong domestic macros along and sufficient external buffers are likely to prevent any sharp depreciation in INR. We expect INR to trade in the range of 85.25-86.25/\$ in the near-term. A trade deal between India and US will be positive for the rupee.

## Movement in global currencies:

Global currencies mostly appreciated in Jun'25, as US\$ weakened. DXY was down by (-) 2.5%. In the Jun'25 meeting, US Fed held rates steady at 4.25-4.5%, and the dot plot continued to signal 2 rate cuts this year. However, a noteworthy shift was that now 7 members expect no change in rates, up from 4 members earlier. Risk of stagflation appears to be mounting as the latest core PCE data rose (2.7%) more than expected (2.6%) in May'25. Even on MoM basis it was higher (0.2%) than expected (0.1%). In contrast, consumer spending declined by (-) 0.1% and incomes fell by (-) 0.4% in May'25. In addition, policy uncertainty regarding trade deals, looming 9 Jul deadline for tariffs, spending bill introduced by the Trump administration, and concerns regarding Fed's independence, has dragged dollar demand even lower. Labour market data also indicates a slowdown as continuing jobless claims (4-week average) rose by 16,750 to reach 1.94mn—highest since Nov'21. There is now 75% chance (as per CME Fed Watchtool) of 25bps rate cut by Fed in Sep'25 and 60% chance of cut in Oct'25. Amongst major currencies, EM currencies such as Brazilian Real (BRL), Mexican Peso (MXN) and Korean Won (KRW) posted notable gains. The Euro (EUR) also strengthened by 3.9%, to reach at highest since mid-Sep'21.





# **MONSOON UPDATE**

01 July 2025

# Monsoon and Sowing progress

South West monsoon picked up pace and so far has received above normal rainfall at 9% above LPA till 30 Jun 2025. This has resulted in higher sown area of kharif crops compared with last year. Higher acreage of pulses, rice and oilseeds has been registered. Out of 36, 19 sub-divisions (49% of the country) have received normal to excess rainfall during this period, while 10 states are in the deficient zone. Region-wise, a broad based deviation has been noted across all the regions. East and North eastern India reported deficient rainfall (-17%), followed by Southern Peninsula (-3%) while central (25%) and North Western regions (42%) have reported above normal rainfall. For July'25, IMD expects above normal rainfall at 106% above LPA. Though, some parts of Southern peninsula and some regions in North Western region might witness below normal rainfall.

Sonal Badhan Economist

## Where does Kharif sowing stand?

As of 27th Jun 2025, overall sown area has improved by 11.3% compared with last year. Total sown area of rice and pulses has grown by 47.3% and 37.2% respectively. Within pulses, urad and moong bean have registered an increase. Higher acreage has also been noted for oilseeds led by soybean and groundnut. In contrast, acreage of both cotton and jute & mesta have declined by (-) 8.9% and (-) 2.7% respectively for the same period.

**Table 1: Kharif Sowing** 

	Area sown in 2024-25 (lakh ha)	Area sown in 2025- 26 (Lakh ha)	Growth (YoY %)
Coarse Cereals	35.01	41.75	19.3
Rice	23.78	35.02	47.3
Pulses	15.37	21.09	37.2
Oilseeds	40.82	48.99	20.0
Cotton	59.97	54.66	(8.9)
Sugarcane	54.88	55.16	0.5
Jute and Mesta	5.62	5.47	(2.7)
All Crops	235.45	262.14	11.3

Source: CEIC, Bank of Baroda  $\, \big| \,$  Data as of 27 Jun 2025

### Monsoon:

For the period 1 Jun 2025 to 30 Jun 2025, South West Monsoon is 9% above LPA compared with last year.





## **BUILDING MATERIALS**

01 July 2025

## Mixed trade flow: Positive for MDF; Negative for tiles

 Domestic tiles realisation to remain under pressure in near future, due to weak tiles exports (-3.3% YoY in Apr'25) **Utkarsh Nopany** research@bobcaps.in

- India's laminates monthly net export volume run rate was up 18.9% YoY on a low base effect, but was down 12.6% MoM in Apr'25
- MDF and particleboard net imports fell sharply for two consecutive months (i.e. Mar-Apr'25), given the BIS implementation in Feb'25

These are the key takeaways from Ministry of Commerce trade statistics for the building materials (BM) sector for Apr'25.

**Tiles:** India's tiles net exports fell by 3.3% YoY/ 2.8% MoM to Rs 15.8bn in Apr'25, owing to soft global demand. We believe tiles exports may remain weak in the near-future due to the Trump tariff impact. Hence, domestic tiles realisation may stay under pressure till we see a sharp recovery in exports.

**Laminates:** India's laminates monthly net export volume run rate was up sharply by 18.9% YoY, due to low base effect, but was down 12.6% MoM in Apr'25. Note that exports form roughly 30-50% of total sales of major domestic laminate companies.

**MDF:** India remains a net exporter of MDF for the second consecutive month in Apr'25 (with net exports of 3,761 CBM in Mar'25 vs average net monthly import of 16,288 CBM in Jan-Feb'25), due to BIS implementation in Feb'25. This is viewed positively for the sector as the new MDF plant could get quickly ramped up if imports continue to be restricted in future. This, along with anticipated correction in timber prices, is likely to improve the industry margin over the next 1 year.

**Particleboard:** India's particleboard monthly net import volume run rate also fell sharply (-58.6% YoY in Apr'25), given the BIS implementation in Feb'25. However, we believe particleboard sector margin will likely stay weak over the medium term due to supply-side pressure in the domestic market, on large capacity additions (Merino, GRLM, CPBI) in H2FY25.





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.

EQUITY RESEARCH 02 July 2025



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.

EQUITY RESEARCH 02 July 2025