

Mutual Fund Median Returns – Category-wise Performance

Category	Median of Simple Annualised % as on 31st July 2025						Median of CAGR % as on 31st July 2025		
	14 Day	1 Month	2 Month	3 Months	6 Months	1 Year	2 Year	3 Year	5 Year
Overnight funds	5.28	5.20	5.22	5.38	5.77	6.20	6.45	6.35	5.11
Liquid funds	5.18	5.66	5.91	6.13	6.80	7.02	7.14	6.95	5.52
Money Market funds	5.15	6.57	6.94	7.36	8.39	7.87	7.52	7.23	5.82
Ultra Short Duration funds	5.10	6.28	6.51	6.82	7.61	7.28	7.12	6.85	5.47
Low Duration funds	5.14	6.68	6.53	7.36	8.40	7.82	7.44	7.07	5.71
Floater funds	4.93	6.91	5.61	7.72	9.46	8.80	8.33	7.84	6.36
Short Duration funds	4.17	6.79	4.54	7.16	9.63	8.65	7.93	7.37	5.78
Medium Duration funds	3.13	6.89	3.28	6.39	9.76	9.05	8.28	7.71	6.54
Medium to Long Duration funds	-1.98	4.16	-2.08	1.28	8.17	7.91	7.66	7.41	5.14
Long Duration funds	-9.30	6.26	-9.69	-6.23	5.90	6.67	8.46	8.81	5.27
Dynamic bond funds	-3.40	4.87	-3.33	0.20	8.09	7.77	7.87	7.38	5.63
Corporate bond funds	3.95	7.06	3.86	7.00	9.90	9.03	8.17	7.55	5.92
Credit Risk funds	4.17	6.91	5.47	7.77	9.83	8.93	8.18	7.96	8.02
Banking & PSU funds	3.80	6.69	2.86	6.49	9.70	8.70	7.89	7.33	5.83
Gilt funds	-7.78	4.19	-6.76	-2.89	7.16	7.35	7.97	7.65	5.27
Arbitrage funds	6.51	5.82	6.14	5.57	6.47	6.74	7.19	6.85	5.53
Debt Plus Arbitrage FOFs	4.70	6.44	4.31	6.15	8.10	8.40	8.58	7.82	6.48

- **Money Market Funds and Low Duration Funds** continued to lead performance in the sub-1-year category, delivering **3-month annualised returns of 7.36% and 7.36%**, respectively, as of July-end. While marginally lower than June, returns remained healthy, supported by **persistent surplus liquidity**, favorable **short-end rate levels**, and prudent portfolio allocation. These segments remained ideal for investors seeking optimal **risk-adjusted yields with high liquidity**, avoiding longer duration volatility.
- **Corporate Bond Funds** once again stood out in the short- to medium-term bucket, posting **6-month returns of 9.9%**, the highest among all categories. The performance was driven by **spread stability**, accrual from **high-grade issuers**, and positive demand for quality corporate paper in a relatively low-volatility interest rate environment. The risk-reward trade-off in this segment continues to appeal to investors seeking **carry without excessive credit risk**.
- **Debt Plus Arbitrage Fund of Funds (FoFs)** sustained their strong showing in the long-term horizon, delivering a solid **2-year CAGR of 8.58%** and **3-year CAGR of 7.82%**. The category benefitted from **stable arbitrage spreads**, coupled with consistent accrual from underlying debt allocations. Its **tax-efficient hybrid structure**, especially post 24-month holding, makes it a compelling choice for **conservative investors targeting long-term capital preservation and steady returns**.

July 2025 was characterized by relative calm in the debt market, following the sharp repricing seen in June. Government bond yields remained range-bound for most of the month, with the **10-year benchmark rising marginally by 5 bps**, even as short-end rates remained anchored by **surplus liquidity and active RBI liquidity management** through VRRR operations. The yield curve continued to steepen, reflecting market caution on long bond supply and subdued demand at the longer end.

Corporate bond yields remained largely stable, and spread compression continued, especially in the 3–5-year segment. Investor interest stayed firm in high-quality credits, with **corporate bond and credit risk funds outperforming in the short to medium term**. Meanwhile, categories such as **money market and low duration funds remained attractive**, supported by favorable short-term rates and healthy carry, reinforcing their positioning as low-volatility options for accrual-oriented investors.

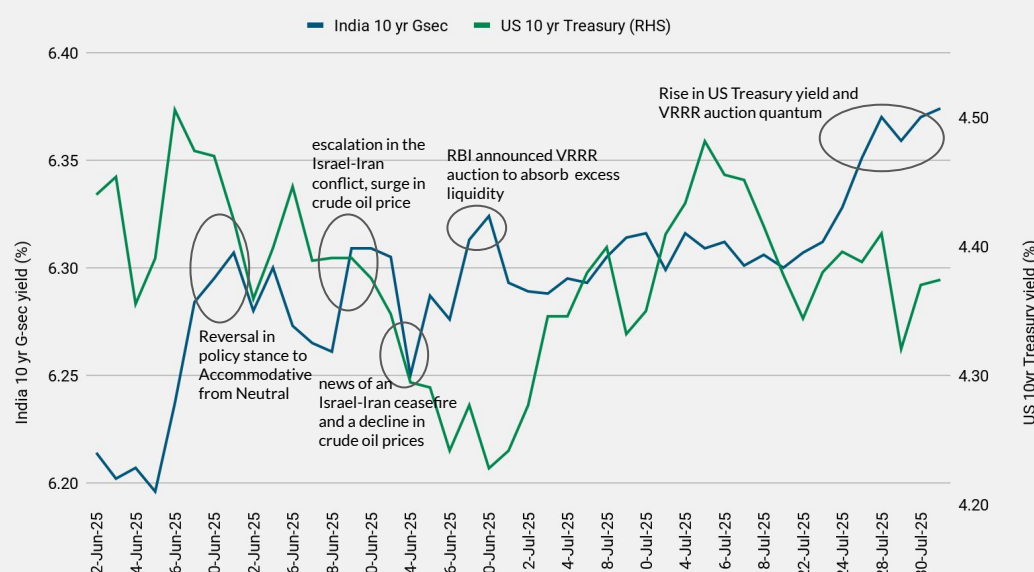
*Overall, July reflected a period of consolidation as the market awaited **clearer guidance from the RBI on future rate actions**, especially in the context of weak inflation prints, global policy divergence, and rising geopolitical tensions. While **long-duration assets remained under pressure**, the **short-to-mid end of the curve remained well bid**, driven by active duration management and robust liquidity conditions. Investors are now closely tracking the upcoming **monetary policy review and global cues** for further clarity on rate trajectory and fiscal supply outlook.*

Monthly Debt Market Snapshot – July 2025

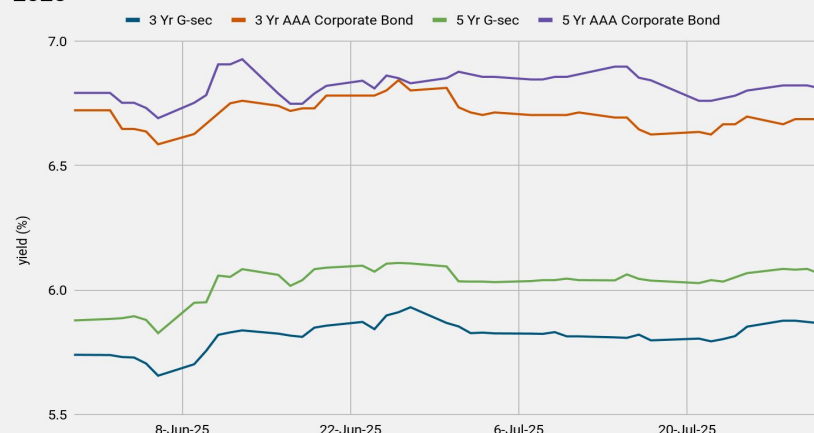
Key indicators	30-Jun-25	31-Jul-25	change
5 Yr GOI Bond	6.10%	6.07%	▼ 3 bps
10 Yr GOI Bond	6.32%	6.37%	▲ 5 bps
10 Yr US Treasury	4.23%	4.37%	▲ 14 bps
Call Rate	5.50%	5.49%	▼ 1 bps
T-Repo	5.42%	5.43%	▲ 1 bps
91 Day T-Bill	5.37%	5.39%	▲ 2 bps
3 M CD	5.82%	5.75%	▼ 7 bps
3 M CP	6.20%	6.18%	▼ 2 bps
USD/INR	85.54	87.55	▲ 2.01

- In July 2025, domestic bond yields in India ended on a mixed note. The benchmark 10-year government bond yield finished the month about 5 bps higher, following a 10 bps increase in June. This performance reflected ongoing uncertainty, despite an environment of low inflation and shifting expectations around monetary policy.
- The Reserve Bank of India continued to tighten liquidity conditions by stepping up its use of variable rate reverse repos (VRRRs), conducting more frequent and higher quantum auctions with shorter maturities.
- Market is now positioned cautiously ahead of any August RBI policy update.

India 10Y G-Sec Yields Climb While U.S. Treasury Yields Soften – July 2025



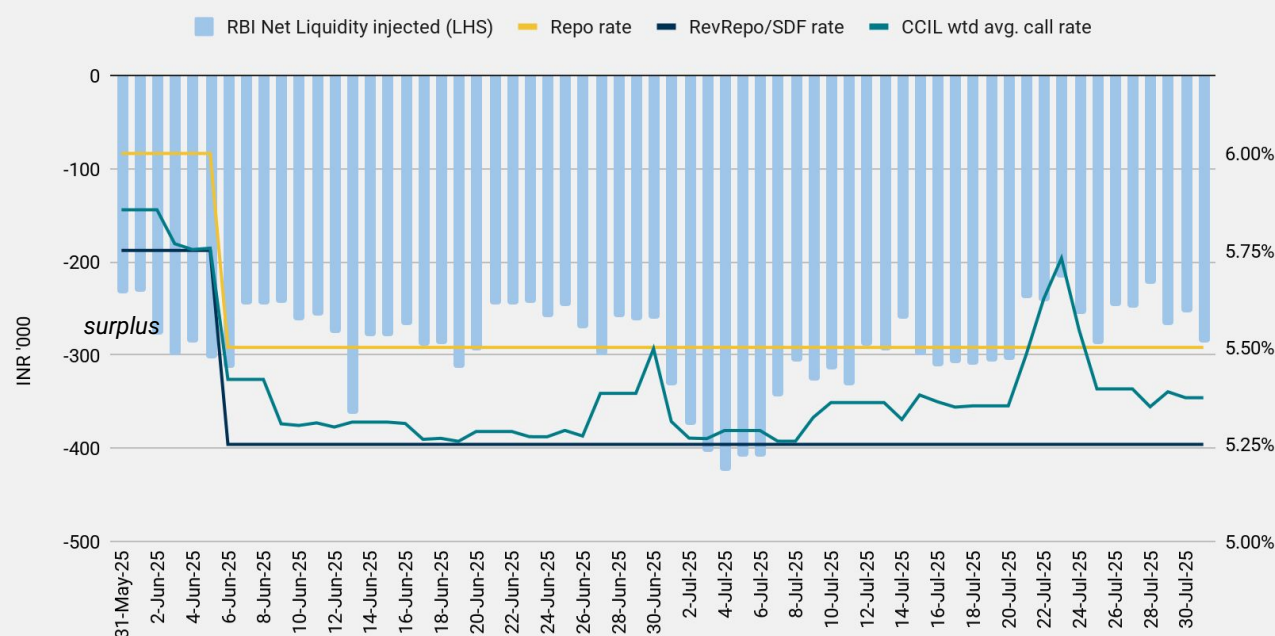
Corporate Bond Yields Stay Steady While G-sec Yields Edge Higher – July 2025



- Despite a sharp rise in G-sec yields, AAA-rated corporate bond yields remained relatively stable through June and July 2025, particularly in the 5-year segment, reflecting a muted market response to changing rate conditions.
- A slight softening in 5-year corporate bond yields toward late July signaled renewed demand or expectations of easing inflation, supporting corporate bond performance.
- The narrowing spread between G-secs and corporate bonds, coupled with yield stability, makes corporate bonds more attractive from a carry perspective, especially amid rising G-sec yields.

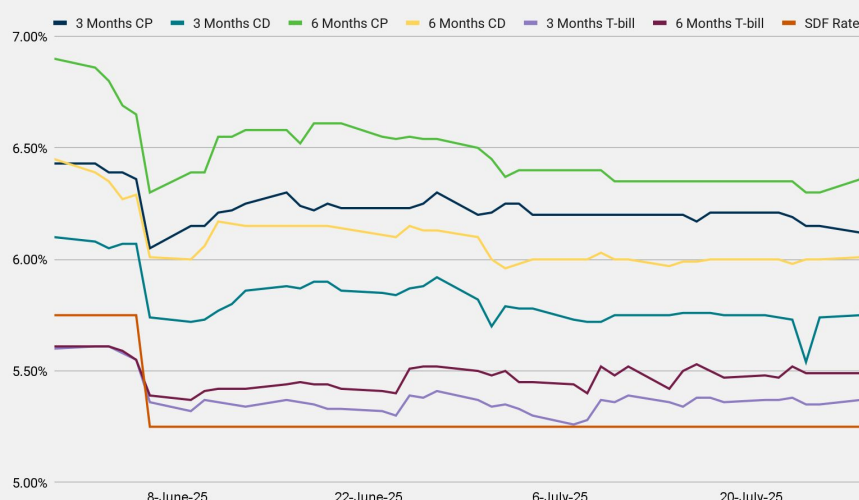
Liquidity Check And Short-term Rates Movement

Key Rates & Liquidity



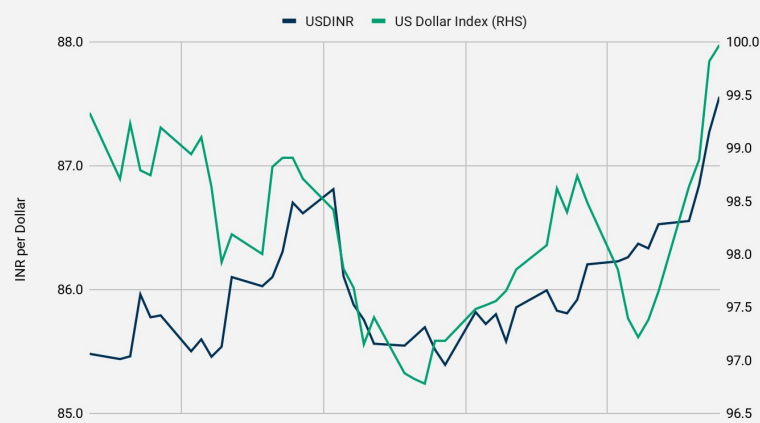
- Liquidity in the Indian banking system remained comfortably in surplus during July, with the average surplus rising from ₹1.68 lakh crore in May to ₹2.73 lakh crore. Reflecting this abundance, the RBI paused its daily Variable Rate Repo (VRR) auctions from June 11, as surplus liquidity had already surged to around ₹2.75 lakh crore by June 10.
- Liquidity in the Indian banking system remained firmly in surplus throughout July, with net absorption by the RBI consistently exceeding ₹2 lakh crore daily, and at times nearing ₹3 lakh crore.
- The consistent liquidity surplus was evident in the RBI's aggressive use of Variable Rate Reverse Repo (VRRR) operations, aiming to absorb excess funds and steer short-term rates closer to the repo rate.
- Weighted average call rates (CCIL) mostly stayed near or below the repo rate, with a notable spike on July 22, suggesting temporary tightness or auction-related volatility, before easing again.
- Despite the June rate cut, the RBI's approach suggests a deliberate stance to prevent undue softening of overnight rates by managing surplus liquidity through short-term tools.
- The persistence of high surplus levels and active VRRR interventions signal the central bank's continued focus on anchoring money market rates within the policy corridor without allowing excessive easing.

Money Market Rates Remain Soft Amid Surplus Liquidity – July 2025

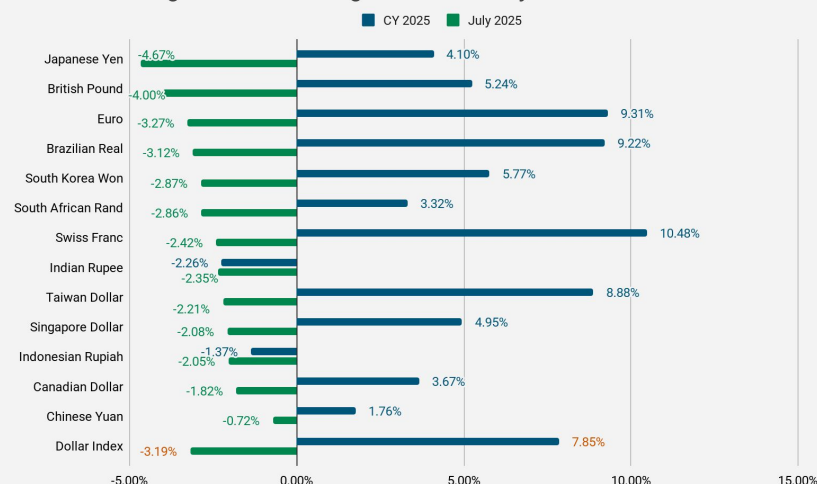


Key Market Trends

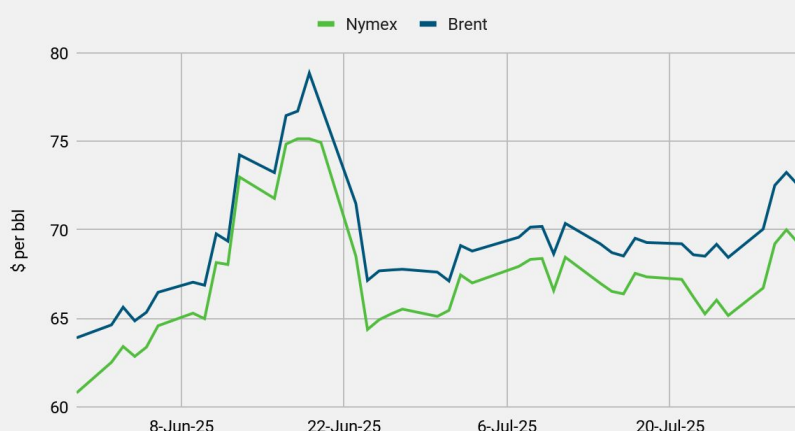
Indian Rupee Weakens Sharply as Dollar Index Rebounds – July 2025



Performance of global currencies against USD* - July 2025



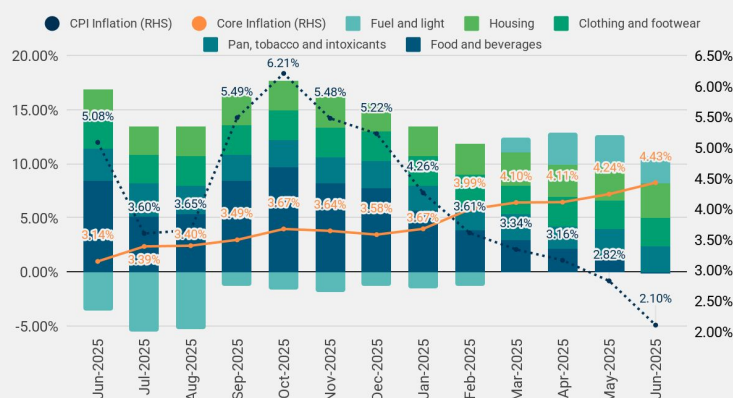
Futures Price: Nymex and Brent Crude Oil



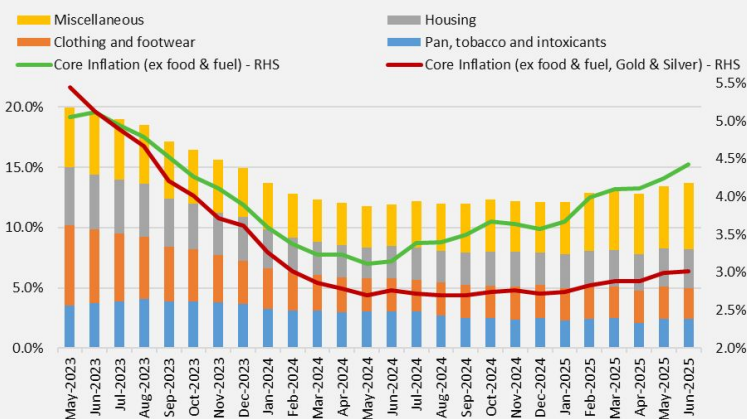
- The Indian rupee experienced a sharp depreciation in July 2025, declining by **2.35%**, its **worst monthly performance since September 2022**. The fall was driven by a confluence of external shocks, including trade-related tensions and sustained foreign capital outflows. During the month, the rupee slid to an intraday low of **₹87.75**, coming within striking distance of its all-time low of **₹87.95**, recorded in February 2025.
- The trigger for the sell-off came in the final week of July when U.S. President Donald Trump announced 25% tariffs on Indian exports, coupled with unspecified penalties on India's oil and arms trade with Russia. This development intensified pressure on the currency, which was already grappling with a **surging dollar index nearing the 100 mark**, as the U.S. Federal Reserve held interest rates steady and dampened hopes of an imminent rate cut.
- While the rupee continued to weaken, **intervention by the Reserve Bank of India**—through spot dollar sales and forward market operations—helped contain further losses and limited the pace of depreciation.
- In July 2025, the **U.S. dollar staged a strong comeback**, rising over 2%—its best monthly performance since 2019—driven by resilient U.S. economic data and fading expectations of near-term Fed rate cuts. While the **Japanese yen** and **euro** showed relative stability amid central bank policy shifts, the **British pound** suffered its worst monthly drop in nearly two years, falling 3.7%. Emerging market currencies had a mixed run: the **Indian rupee** underperformed, sliding over 2%, while others like the **Korean won** and **Thai baht** held steady or posted modest gains. The dollar's broad rebound pressured most global currencies, reversing earlier-year weakness.
- Crude oil prices remained volatile in July 2025, with **Brent crude rising by 7% over the month**. After reaching a peak in late June, both Brent and Nymex benchmarks experienced a sharp correction, followed by relative stability through most of July. A late-month rebound was driven by **geopolitical tensions and renewed supply concerns**, although overall sentiment remained cautious amid **increasing OPEC+ output and uneven global demand recovery**.

India's Economic Strength Shines Through: Inflation Eases, Growth Sustains

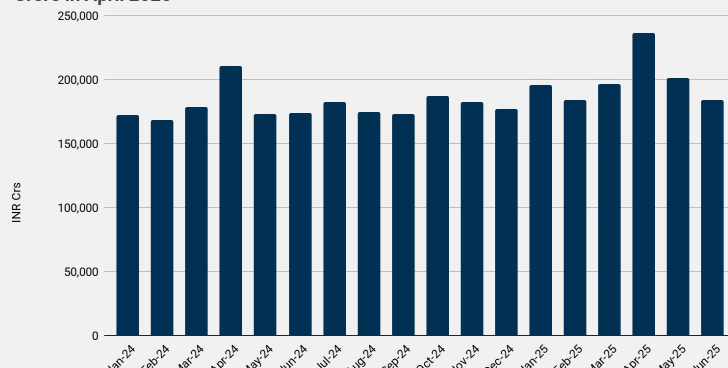
Growth in Inflation and its components



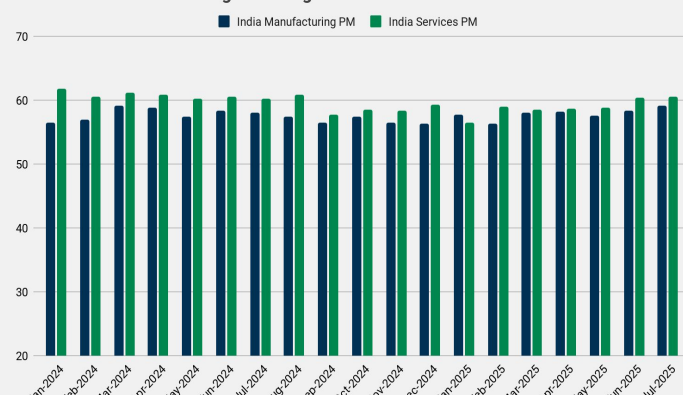
Core CPI Breakdown: Impact of Gold Inflation



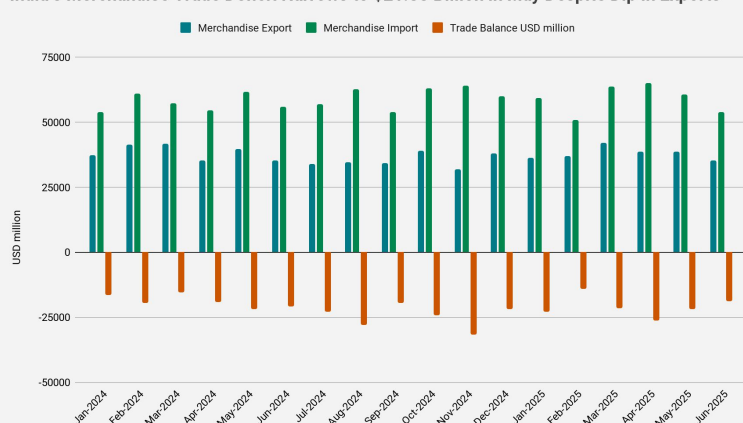
GST Collections Remain Above ₹1.5 Lakh Crore for Two Years; Hit Record ₹2.34 Lakh Crore in April 2025



India's PMI Continues to Signal Strong Economic Momentum



India's Merchandise Trade Deficit Narrows to \$21.88 Billion in May Despite Dip in Exports



RBI MPC meeting takeaway - August 2025

RBI to maintain a nimble and flexible approach to liquidity management, as staggered CRR cuts begin from September to support durable liquidity.

The RBI has maintained the real GDP growth projection for FY26 at 6.5%, while lowering the CPI inflation forecast to 3.1% from 3.7%.

Key Policy Rates	Pre-Policy (%)	Post-Policy (%)	Change (%)
Repo	5.50	5.50	0.00
MSF	5.75	5.75	0.00
SDF	5.25	5.25	0.00
Reverse Repo	3.35	3.35	0.00
SLR	18.00	18.00	0.00
CRR*	3.00	3.00	0.00

- India's economic resilience continued in July, with the **services PMI climbing to 60.5**, the highest in 11 months, driven by strong export orders and robust domestic demand. **Inflation remained subdued**, with CPI expected to hit a multi-year low as food prices eased and core inflation stayed below 5%. **GST collections rose to ₹1.96 lakh crore**, marking a 7.5% y-o-y increase, indicating sustained consumption and tax compliance.
- The **RBI maintained the repo rate at 5.50%** in early August, reaffirming its neutral stance amid moderating inflation and external risks, including U.S. tariff threats. Growth remains steady at 6.5%, though economists caution that weakening exports could weigh on outlook. The stable inflation backdrop may offer room for **policy easing later in the year**, subject to global trade developments.