

# MASHREQ GLOBAL DIGEST

## India

July 20 – July 26



This edition of Market Digest highlights key macroeconomic indicators in India, recent financial developments, and notable deals—providing valuable insights into the country’s current economic trends.

### Macroeconomic News

#### India to Sustain 6-6.5% GDP Growth in FY26: UBS

India’s economy is projected to grow by 6–6.5% in 2026, supported by strong domestic demand, government spending, and a booming services export sector that now accounts for nearly half of total exports, according to UBS. India’s lower reliance on goods exports and greater focus on services help shield it from trade shocks. The RBI remains optimistic about growth, citing resilient demand, robust services momentum, and easing inflation, which hit a six-year low of 2.1% in June. Separately, Morgan Stanley expects India to become the world’s third-largest economy by 2028 and reach \$10.6 trillion by 2035.



Reference: [Financial Express](#), [Reuters](#), [The Economic Times](#)

#### India Signs Historic \$34B Free Trade Deal with UK

The UK and India have signed a historic free trade agreement expected to boost their bilateral trade by over \$34 billion annually by 2040. The deal eliminates tariffs on 99% of Indian exports to the UK and reduces UK tariffs on Indian goods from 15% to around 3%. Key sectors benefiting include textiles, alcohol, automobiles, and machinery. Economists see this as a strategic win for India’s trade diplomacy and a boost to employment and growth in key industries. This trade agreement with the UK could boost India’s GDP by 25 bps (0.25%) over the next five years, according to Elara Capital. It is worth noting that India is simultaneously advancing free trade talks with New Zealand, aiming to further strengthen its trade partnerships.

Reference: [CNBC](#), [Bloomberg](#), [Reuters](#)



#### India's Private Sector Grows in July, But Confidence Falls

India’s private sector remained strong in July 2025, with the HSBC Flash Composite PMI at 60.7—well above the 50 mark that signals growth. Manufacturing led the expansion, hitting a 17-year high of 59.2, while services slowed slightly to 59.8. New orders rose at the fastest pace in a year, driven by demand from Asia, Europe, and the U.S. However, business confidence fell to its lowest level since March 2023, and job growth slowed to a 15-month low. This shows that while growth remains solid, underlying concerns about inflation and employment are starting to weigh on sentiment.

Reference: [Reuters](#)



#### India Needs \$2.4 Trillion for Climate-Resilient Cities by 2050

India will need to invest over \$2.4 trillion by 2050 to make its cities climate-resilient, according to the World Bank. As the urban population is set to nearly double to 951 million, cities face rising threats from floods, heatwaves, and sea level rise. Without timely investment in infrastructure, urban flooding alone could cost up to \$30 billion annually by 2070. Currently, India spends just 0.7% of GDP on urban infrastructure, with private investment at only 5%.

Reference: [Reuters](#)

#### RBI Wins Battle Against Inflation but War Continues

India’s RBI has successfully lowered inflation to a six-year low but remains focused on keeping prices stable. After a surprise 50 basis point rate cut in June, the RBI shifted to a "neutral" stance, signaling limited further easing. It is expected to hold rates steady in August, with most economists predicting a further 25 basis points cut before year-end as the central bank is ready to adjust rates as needed to support growth and control inflation.

Reference: [Reuters](#), [Reuters](#)

### Financial & Corporate News

#### Barclays and BofA See Indian Rupee Recovery Potential

Analysts at Barclays and Bank of America Global Research say the recent fall of the Indian rupee may be exaggerated. Barclays believes the rupee’s decline is nearing a short-term limit around 86.50–87.00 per USD, while BofA expects it to strengthen to 84 by late 2025, supported by portfolio inflows and a weaker dollar outlook. The rupee has dropped about 2% since early May. Both firms highlight improved competitiveness reduces the need for further depreciation.

Reference: [Reuters](#)



#### Foreign Investors Renew Interest in Indian Bonds Amid Rate-Cut Expectations

Foreign investors have increased their purchases of Indian government bonds, driven by expectations that the Reserve Bank of India may cut rates further. After a larger-than-expected rate cut in June, and with inflation slowing, foreign inflows reached \$1.5 billion over the past month. Despite some concerns over growth, the attractive yield differential compared to the U.S., along with India’s solid economic fundamentals, continue to draw strong investor interest.

Reference: [Reuters](#)

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### State Bank of India Raises \$2.9B

State Bank of India (SBI), the country’s largest lender by assets, raised 250 billion rupees (about \$2.9 billion) by issuing 306 million shares to institutional investors at 817 rupees per share. This move, approved earlier in May, was part of a qualified institutional placement to strengthen the bank’s capital base. State-owned Life Insurance Corporation increased its stake by purchasing 50 billion rupees worth of shares, raising its holding to 9.49% from 9.21%.



### India's Investment Trusts Boost Debt Fundraising

Reference: [Reuters](#)



India’s asset-backed investment trusts (REITs and InvITs), have increased debt fundraising, raising over \$2 billion in the first half of 2025, nearly triple last year’s amount. This growth is driven by lower interest rates and strong demand from investors seeking stable, income-generating assets. These trusts use bond financing—which is cheaper and more flexible than traditional bank loans—and their steady cash flows make them attractive to institutional investors. High credit ratings improve their credibility and borrowing terms. With India’s real estate and infrastructure sectors gaining momentum, these trusts offer investors a balanced opportunity for steady income and growth.

Reference: [Reuters](#)

### Costco to Launch Global Capability Centre in India

Costco will open its first Global Capability Centre in Hyderabad, India, starting with 1,000 employees to support technology and research for its global teams. India’s GCCs have evolved from outsourcing hubs to strategic centers for major firms like JPMorgan Chase and Walmart. The GCC market in India is projected to reach nearly \$100 billion by 2030.

Reference: [Reuters](#)

### Renault to Invest \$600M to Boost SUVs and Production in India

Renault plans to increase production at its factory in southern India, which it shared with alliance partner Nissan before taking full ownership. With a \$600 million investment, Renault aims to raise factory utilization from 50% to 80–100%. India currently represents less than 2% of Renault’s global sales but remains a key cost-competitive hub for growth and exports.

Reference: [Reuters](#)

## Deals

### India Boosts Maldives Ties with \$565 Million Credit Line

Indian Prime Minister Narendra Modi visited the Maldives to strengthen ties following strained relations after the pro-China President Muizzu’s 2023 election. During the visit, Modi announced a \$565 million credit line to support infrastructure projects and highlighted ongoing negotiations for a free trade agreement and bilateral investment treaty. The visit reaffirmed India’s commitment to regional cooperation in trade, defense, and security under its “Neighbourhood First” policy.

Reference: [CNBCTV](#)

## Markets

### Market Dashboard

- The S&P 500, Nasdaq closed at record highs, buoyed by optimism surrounding a potential U.S.-EU trade deal and a strong earnings season. Broad-based gains across sectors, especially materials and industrials, added to the momentum. For the week, the S&P 500 climbed 1.5%, the Nasdaq rose 1%, and the Dow added 1.3%. Market sentiment was further supported by expectations that the Federal Reserve will hold rates steady next week, with growing speculation of a rate cut in September.
- Bitcoin recently bounced back strongly from \$115,000 to around \$118,000, showing that bulls remain in control after a liquidity grab triggered the liquidation of leveraged positions, which institutions used to buy the dip. Experts like Fundstrat’s Tom Lee predict Bitcoin could reach \$200,000 to \$250,000 by the end of 2025, viewing it as undervalued digital gold compared to the gold market.
- Gold prices slipped this week, pressured by growing optimism over a potential U.S.-EU trade deal, which reduced demand for safe-haven assets. Despite the decline, analysts expect some buying interest around the \$3,300 level ahead of the Federal Reserve’s upcoming rate decision, though new record highs are unlikely until after that. Overall, improved risk appetite and stable labor market data weighed on gold, while inflation and Fed policy remain key factors to watch.
- Oil prices fell to a three-week low this week amid growing concerns over economic slowdowns in the U.S. and China, with Brent crude settling at \$68.44 and WTI at \$65.16. Despite worries about weakening demand and signs of rising supply—including potential increased exports from Venezuela and steady OPEC+ production—market losses were limited by optimism around upcoming U.S.-EU trade deals that could support global growth. Additionally, U.S. energy firms continued to reduce rig counts, reflecting cautious sentiment amid mixed economic signals.
- The U.S. dollar edged higher on Friday, supported by strong economic data, but still posted its biggest weekly drop in a month as investors turned their focus to upcoming economic reports, tariff talks, and central bank meetings. President Trump commented that while he supports a strong dollar, a weaker dollar “makes a hell of a lot more money” for U.S. exporters. Markets now await next week’s Fed and BOJ meetings for clearer direction.

Indicators	18-Jul-25	25-Jul-25	% Change
S&P 500	6,296.79	6,388.64	1.46%
Bitcoin	118,003.23	117,635.88	-0.31%
Gold	3,350.40	3,337.18	-0.39%
Crude Oil	69.28	68.44	-1.21%
EUR/USD	1.1615	1.1744	1.11%

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