

Business Standard

Equity markets to eye macro data, RBI dividend, global trends this week

Indian equity markets brace for key economic data, RBI's record dividend, and global cues, while investor sentiment remains sensitive to US bond yields and foreign fund flows

Press Trust of India | [New Delhi](#)



Movement in the equity market this week will be guided by a host of macroeconomic data announcements, global trends and trading activity of foreign investors, analysts said.

Stocks markets concluded the last week on a subdued note, as investors grappled with global uncertainties.

"The market's muted performance was driven by a combination of global and domestic factors. On the global front, rising US bond yields and concerns over the United States' mounting debt burden triggered foreign portfolio outflows, putting pressure on emerging markets, including India," Ajit Mishra, SVP, Research, Religare Broking Ltd, said.

In the week ahead, the release of India's industrial and manufacturing production data for April, scheduled for May 28, along with the Q1 GDP growth figures, will offer insights into the economic recovery trajectory.

Updates on the progress of monsoon will also be closely monitored, he said.

On the global front, developments in the US bond market, the release of FOMC (Federal Open Market Committee) minutes, and progress in the India-US trade negotiations will continue to influence market sentiment, Mishra said.

"Moreover, the scheduled monthly expiry of May derivatives contracts and the final leg of the Q4 earnings season with results from key companies like Bajaj Auto, Aurobindo Pharma and IRCTC will remain in focus," Mishra added.

Last week, the BSE benchmark dropped 609.51 points or 0.74 per cent and the NSE Nifty declined 166.65 points or 0.66 per cent.

"Looking ahead, markets are expected to remain firm, with participation likely from the broader market segments as macro and earnings tailwinds continue to provide support. Investors will also be closely watching key data releases this week, including quarterly GDP figures for both India and the US," Siddhartha Khemka, Head - Research, Wealth Management, Motilal Oswal Financial Services Ltd, said.

The Reserve Bank on Friday announced a record Rs 2.69 lakh crore dividend to the government for FY25, 27.4 per cent higher than 2023-24, helping the exchequer to tide over challenges posed by US tariffs and increased spending on defence due to the conflict with Pakistan.

In the week ahead, market participants will first react to the RBI's record dividend transfer of Rs 2.7 lakh crore to the government and its implications for fiscal policy, Mishra said.

"Given the continued uncertainty surrounding the US economy, foreign investment flows, and trade negotiations, Indian markets may see a phase of consolidation in the near term," Gaurav Garg, Analyst, Lemonn Markets Desk, said.

The market has been volatile throughout the last week amid concerns over US fiscal health due to rising debt, an expert said.

Vinod Nair, Head of Research, Geojit Investments Limited, said, "Investor attention is further revolving around US-India trade talks and strong domestic macroeconomic indicators.

However, recent FII outflows, driven by rising US bond yields amid concerns over mounting US debt, may weigh on the market sentiment."

Optimism around a potentially record-high dividend from the RBI is boosting hopes for fiscal consolidation, reflected in falling Indian bond yields, Nair added.

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First Published: May 25 2025 | 10:11 AM IST

