

HDFC Bank – Research Presentation

April 2026

Risk profile-based asset allocation

Asset Class	Overall View	Asset Allocation		
		Aggressive	Moderate	Conservative
Equity Funds	▲	75%	55%	25%
Debt Funds	◆	20%	40%	70%
Gold	◆	5%	5%	5%

Note:	Optimistic	▲
	Cautiously Optimistic	◆
	Cautious	▼

Category-wise view

MF Categories	View	
	Apr-26	Mar-26
Equity Oriented Funds		
Largecap Funds	▲	▲
Large Cap Index Funds	▲	▲
Multicap Funds	▲	▲
Flexicap / ELSS Funds	▲	▲
Large and Mid Cap Funds	▲	▲
Mid cap	◆	◆
Small cap	◆	◆
Value / Contra / Dividend Yield Funds	▲	▲
Focused Funds	◆	◆
Aggressive Hybrid Funds / Dynamic Asset Allocation / Balanced Advantage Funds	▲	▲
Equity Savings Funds	▲	▲
Business Cycle	▲	▲
Sector/Thematic Funds	◆	◆
Multi Asset Allocation Funds	▲	▲

MF Categories	View	
	Apr-26	Mar-26
Debt Oriented Funds		
Short Duration Funds/Medium Duration Funds	▲	▲
Banking & PSU Funds	▲	▲
Corporate Bond Funds	▲	▲
Target Maturity Index Funds	◆	◆
Medium to Long / Long Duration Funds	◆	◆
Dynamic Bond Funds	◆	◆
Gilt Funds	◆	◆
Ultra Short Duration/Low Duration/Money Market Funds	▲	▲
Arbitrage Funds	▼	▼
Liquid/Overnight Funds	◆	◆
Conservative Hybrid Funds	▲	▲
Credit Risk Funds	◆	◆
Income Plus Arbitrage FoF	▲	▲

Research Presentation – Content

■ Equity MF Outlook and Strategy – April 2026

- Global: Oil price shock hit global markets, growth projections may be downgraded
- US: Markets consolidate on war concerns, yields spike and rate cut projections have come off
- Europe: Pre-Oil Shock...a gradual improvement was being witnessed
- China: Growth decelerating despite strong efforts...exports still remain the key growth engine
- Commodities: Remains a mixed bag, sustained oil shock can have a negative effect on global growth
- Emerging Markets: Rising Dollar index and West Asia war led to FPI outflows from Emerging Markets
- Escalating geopolitical tensions and INR trading at an all-time low on sustained Foreign Institutional Investor (FII) outflows continued to impact the market sentiments negatively
- Sectoral performance and FPI flows in March 2026
- India Macros: Growth remains strong, though high crude prices pose a risk for CAD and Inflation
- Urban Economy: Strong consumption visible
- Rural Economy: Rural economy remains robust...higher crop production to boost rural income
- Valuations across market caps are relatively cheaper, strengthening the case for investors to allocate strategically
- India : Valuations have moved to a reasonable zone and opportunities in the market have emerged across the board
- Retail investment in Mutual Funds continues to support the market at a time when the FPI's have sold relentlessly
- Market Roundup – March 2026
- Key concerns for Indian equities
- Annexure...
- Sectoral outlook by fund managers – Part 1
- Sectoral outlook by fund managers – Part 2
- Sectoral Movement
- Sectoral valuations have improved vs. long term averages
- AMC Sectoral Holdings
- Trump's epilogue on War: Fund Manager Perspective

■ Fixed Income Outlook and Strategy – April 2026

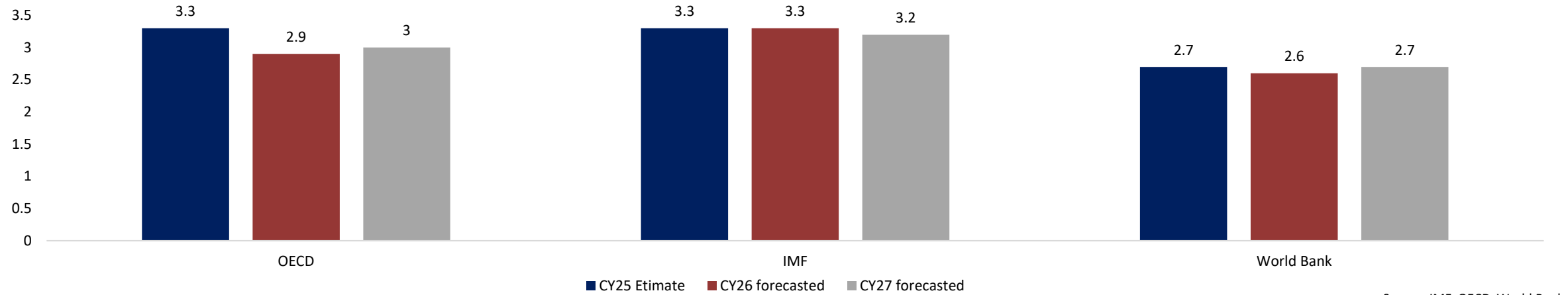
- US: Increased uncertainty due to geopolitical escalation has resulted in market expectations pivoting towards higher inflation and only one rate cut for CY26
- EU: Was on trend to deliver reasonable growth at lower inflation, but has been hit by the recent energy shock
- Market participants expect the Fed to cut rates only once this year amidst fresh projections... The ECB highlighted a significantly uncertain outlook while continuing to remain data dependant..
- While the recent spike in crude prices is negative for inflation, Central Banks may look through the same in case they come off soon
- Global Commodities – Escalation of Geopolitical tensions in the Middle East and resultant supply shocks pushed global commodity prices higher
- Weakening of currency and year end tax related outflows have affected system liquidity... If the crude issue dissipates, it may turn around quickly
- To smoothen the INR depreciation arising from external shocks, the RBI intervened in the forex market, but their ability to keep doing so is likely to be limited given the expectations of higher Current Account Deficit (CAD) due to rising oil prices
- Inflation remained under RBI's medium-term target of 4% for the 2nd time under the new series and 13th consecutive time overall... However, imported inflation due to surge in energy prices may put significant upward pressure
- Rising crude prices leads to a spike in G-sec yields as market factors in medium term impact on Government finances...
- ... putting upward pressure on Corporate bond yields which remain elevated as risk premiums also rose due to geopolitical uncertainty
- Disclaimer

Equity MF Outlook and Strategy – April 2026

- While the Global growth was expected to remain steady for CY26, driven by strong growth in the US and key emerging markets and improvements seen in Eurozone, the recent rise in energy prices and the blockade of the strait of Hormuz is likely to have negative implications.
- US has seen growth conditions remaining robust, despite the shutdown related impact on Q4 CY25 GDP growth, led by AI and semiconductor capex. The rising Federal Reserve balance sheet also gives additional support to growth, despite a pause in policy rate cuts. With the Debt-to-GDP ratio still elevated in the US, the recent rise in bond yields, driven partly by higher energy prices, could reduce the Administration's appetite for escalating tensions with Iran.
- Eurozone disinflation has allowed the ECB to stay accommodative, while business sentiment and PMI readings are gradually improving on the back of fiscal support. However, the EU remains highly exposed to energy-market disruptions following the closure of the Strait of Hormuz, pushing energy prices higher and adding upward pressure to core sovereign bond yields.
- China's CY25 growth remains solid, though sequential momentum has eased as late-2025 activity softened. Exports remain resilient despite external pressures, but domestic demand continues to lag, weighed down by weak household confidence and a still-correcting Real Estate sector with declining home prices. With inflation projected at 0.4% YoY (ADB projections) in CY26, policy space remains ample for their government to support demand.
- Commodity markets were mixed in March. Crude oil surged after Iran's effective blockade of the Strait of Hormuz disrupted nearly 20% of global oil supply. Gold corrected as rising US yields drove flows into Treasuries, falling from its USD 5,603 peak to near USD 4,550 by end-March. Industrial metals remained largely range-bound, with copper, aluminium, and nickel moving sideways as geopolitical risk was offset by softer global growth expectations.
- Emerging Market (EM) equities have outperformed as EM growth outpaces Developed Markets (DMs). Valuations remain attractive as many EMs still trade at discounts to DMs, and markets such as Korea and Taiwan remain key proxies for the AI-driven semiconductor cycle, supported by strong 2025–26 tech demand. However, several Asian EMs remain heavily exposed to imported energy, leaving them vulnerable to supply shocks. The blockade of the Strait of Hormuz—through which ~20 mn barrels of crude flows per day, representing roughly one-fifth of global petroleum liquids consumption, has tightened energy markets and raised import costs across the region, including India.
- India's macro backdrop remains strong**, with FY26 GDP growth expected in the 7.4%–7.6% YoY range and FY27 growth projected at 6.4-7.1% YoY, supported by resilient domestic demand and steady policy momentum. Consumer sentiment continues to benefit from GST rationalisation, while the India–US and India–EU trade deals are expected to further strengthen India's external positioning. Improving money supply is also likely to be a positive demand side impulse. **However, the economy's significant dependence on imported crude (~85% of total requirements) leaves it vulnerable to the recent oil price spike stemming from the Strait of Hormuz disruptions—raising risks to the Current Account balance, INR stability, FPI flows, and the possibility of incremental growth downgrades.**
- Urban demand is showing signs of pickup.** Passenger Vehicle sales growth remains steady, services exports too have seen strong momentum, despite concerns around AI-driven job losses and cutbacks. Future implementation of the 8th Pay Commission, continued benefits of lower GST rates and higher disposable income due to controlled inflation could drive urban consumption over the medium-to-long term. Domestic consumer confidence has been reasonably robust as well. Credit demand in the economy has also seen a marked improvement, suggesting a strong growth impulse.
- Rural economy** remains a strong pillar of growth for the economy. With improving affordability due to lower inflation and GST cuts, this segment is likely to keep driving consumption growth. With strong Rabi sowing, the rural economy is likely to deliver robust growth. Declining demand in MGNREGA also hints at improved job creation in the rural sector. Sales of 2-wheelers and tractors too have remained robust. If weak monsoons pan out in FY27, it could be a near-term risk to the rural economy.
- On the expected earnings side**, with a low base, a sustained pickup in urban consumption demand, or incremental government spending support through fiscal expansion, or further meaningful support provided by the RBI, could help drive superior earnings delivery which is likely to also aid in better equity market performance. While fund managers expect Nifty-50 earnings to grow by ~14%-15% in FY27, the impact of the war in West Asia may only lead to minor dilution, if the issues are not protracted.
- With the recent correction, driven by the ongoing war in West Asia and the blockade of Strait of Hormuz by Iran, the market valuations have come off and are now looking reasonable. Most of the broad Indian indices are trading at a meaningful discount to their past averages. The selling pressure from FPIs rose in the month of March driven by weakening INR and expectations of impact on the Indian economy from the rising energy prices. Indian markets have seen a similar issue in 2022, when the Russia-Ukraine war started, but as the crude oil prices came off, the markets moved higher, and the economic growth surprised on the upside. Interestingly, Mutual Funds' cash, as a percentage of their total AUM, has dipped to recent lows, suggesting that Indian Mutual Funds feel that valuations are right to deploy higher cash.
- The US-Iran conflict has emerged as the near-term risk to markets which can drive oil prices higher and be a near term sentiment-negative event. If the conflict is contained to existing players and the energy prices come off, investors could use the market volatility due to this event as an investing opportunity.**
- With the recent correction, opportunities in the Indian equity market may get broad based as valuations have come off across market caps. Fund Managers who can be fairly nimble and identify growth ideas, could generate alpha vs their peers. While FPIs have been big sellers in the Indian markets, India's relative underperformance vs its peers in the recent months is likely to gradually make the Indian markets attractive for them. The FPIs' holdings in Indian markets have also fallen to recent lows which implies that they may not be willing sellers for long.
- Investment deployment strategy could be 60% lumpsum and rest 40% to be staggered over the next 3-4 months. All allocations should be done in line with the risk profile and product suitability of the investor. Mutual Fund investors can look to focus on categories like Flexicap, Multicap, Large and Midcap, Value and Hybrid funds while using STPs as an instrument to invest in Midcap and Smallcap funds. Aggressive investors may also look at Business Cycle Funds for allocation. All allocations should be done in line with the risk profile and product suitability of the investor.**

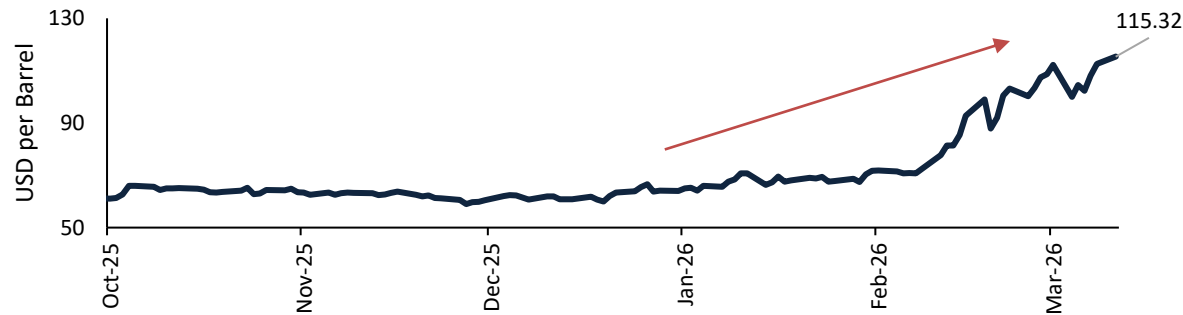
Global: Oil price shock hit global markets, growth projections may be downgraded

The current projections by global agencies have not priced in the oil price shocks, which could bring down growth even further



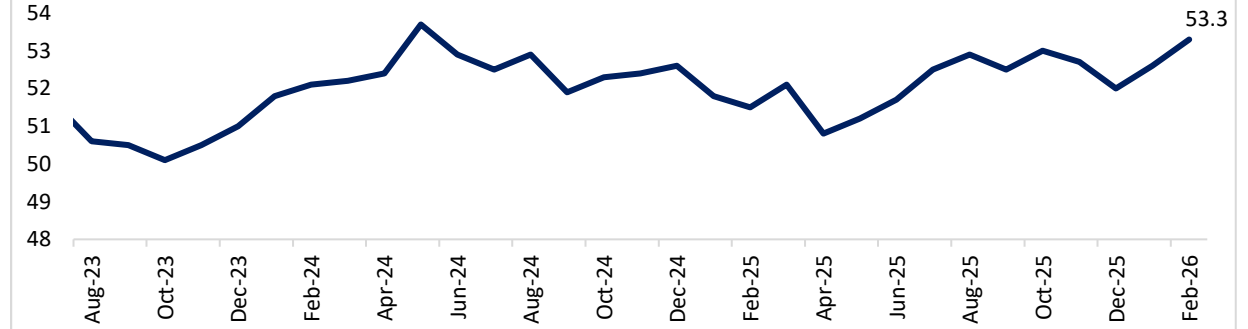
Brent Crude

Sharp rise in crude prices remains a global concern...



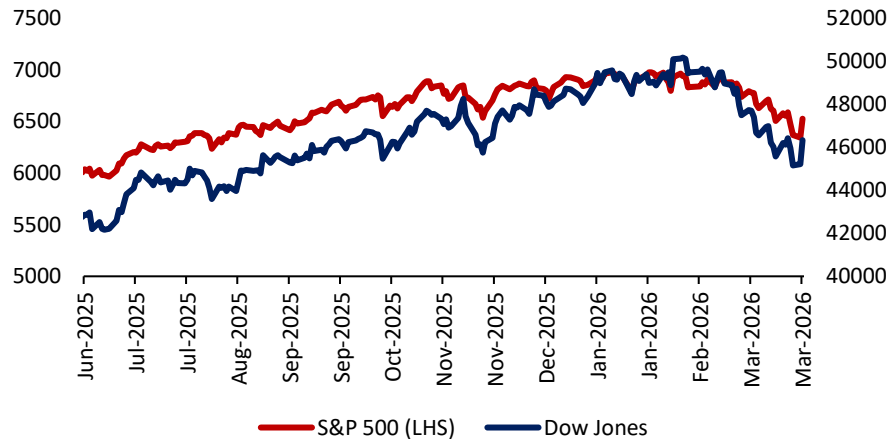
JPMorgan Global Composite PMI

...This comes at a time when Global PMI is in an expansionary phase



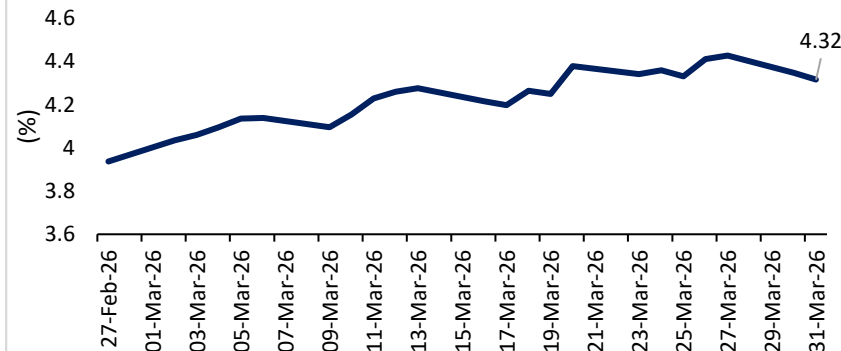
US: Markets consolidate on war concerns, yields spike and rate cut projections have come off

US markets consolidating



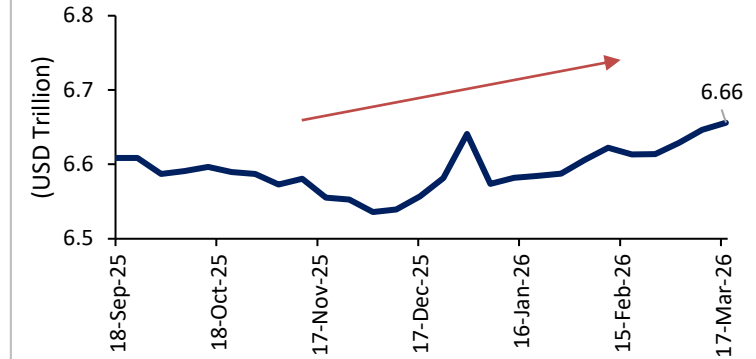
US Generic Govt 10 year yield

Higher yields translate to increased interest costs, which in turn inflates the fiscal deficit



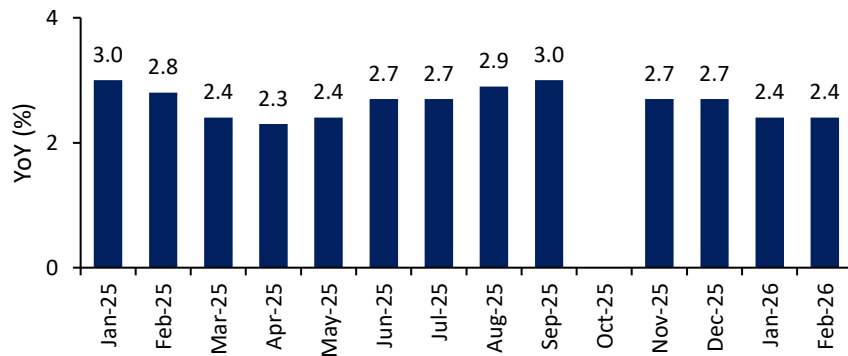
US Federal Reserve - Total Assets

US Federal balance sheet expansion is supportive of US assets

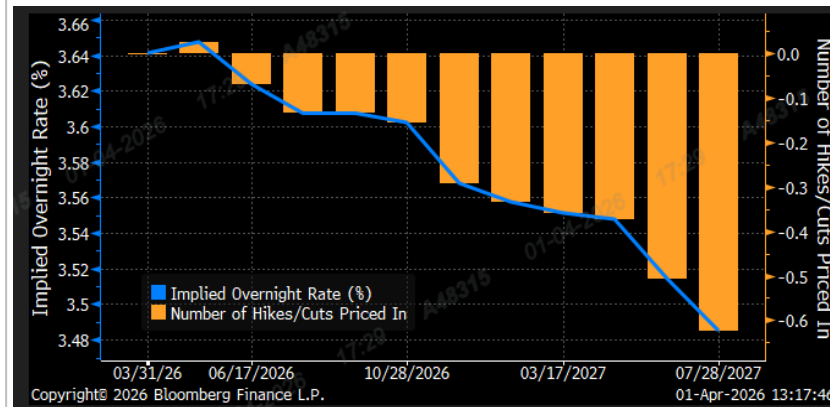


US CPI

US inflation remains sticky



Earlier expectations of two rate cut have come down to just one rate cut now



US Quarterly GDP Growth

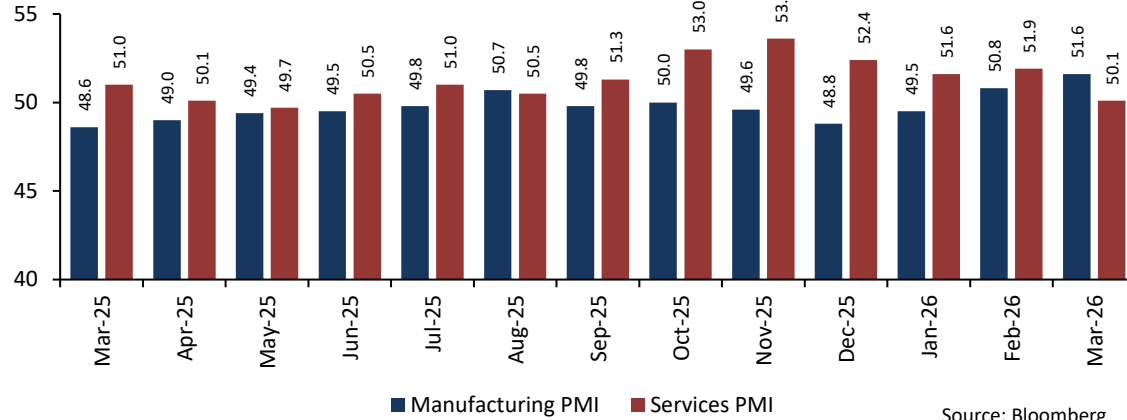
Economy growth holding up, Q4 CY25 lower on back of shutdown



Europe: Pre-Oil Shock...a gradual improvement was being witnessed

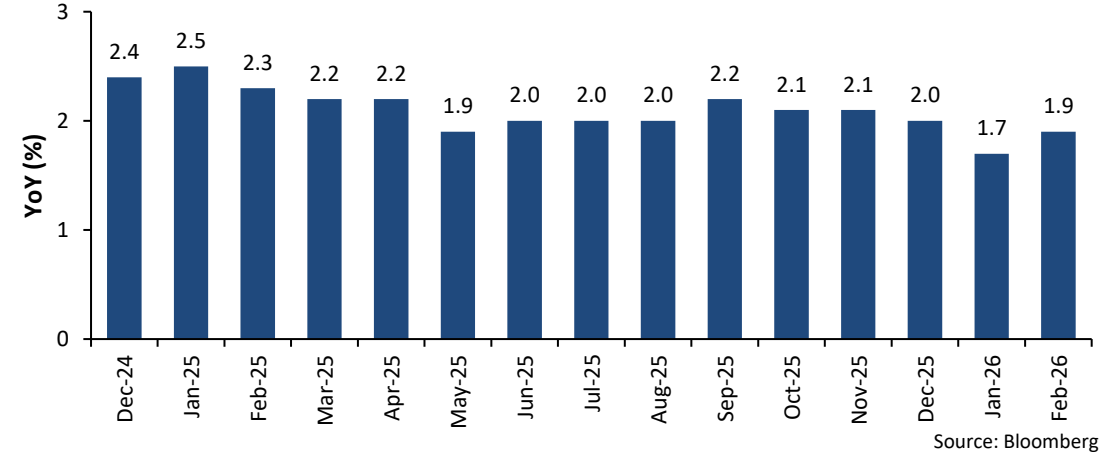
S&P Global Eurozone PMI

Manufacturing & Services, both remain strong

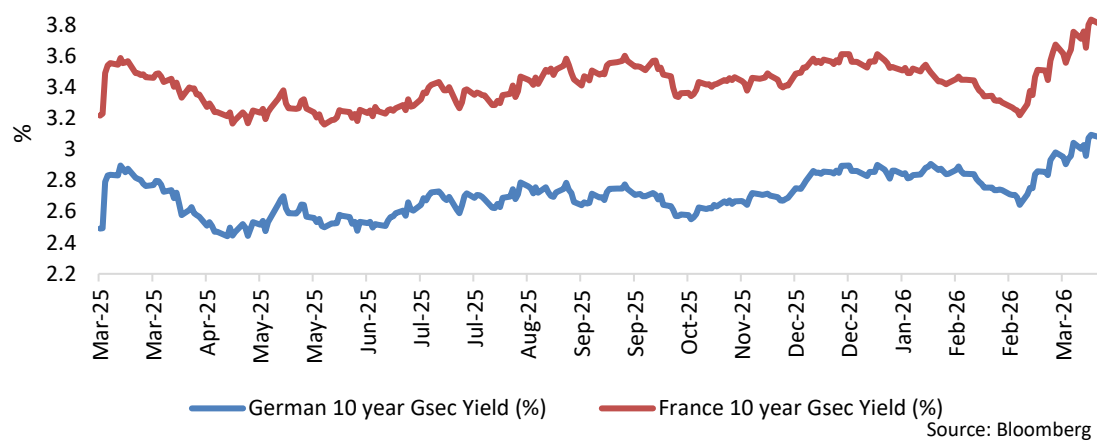


Eurozone CPI

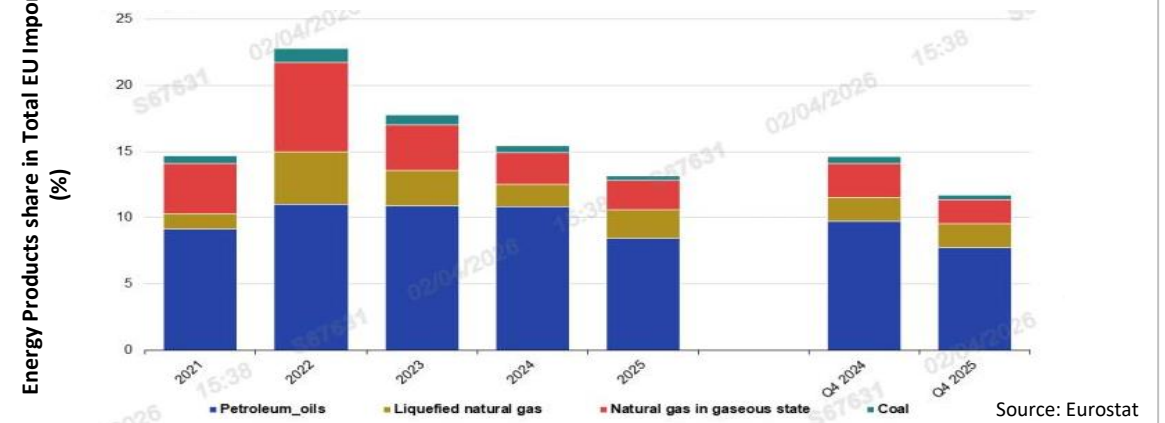
Continues to remain under control



Bond yields rose, as oil price shock hits EU



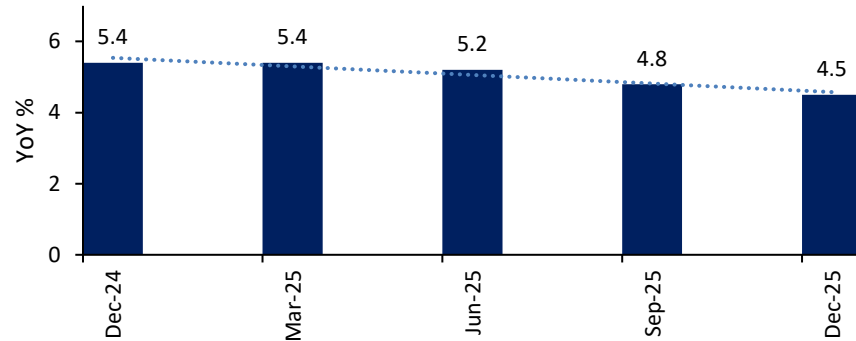
Since EU is dependent on imported crude and gas, higher crude oil prices are likely to pose a risk



China: Growth decelerating despite strong efforts...exports still remain the key growth engine

China Quarterly GDP growth

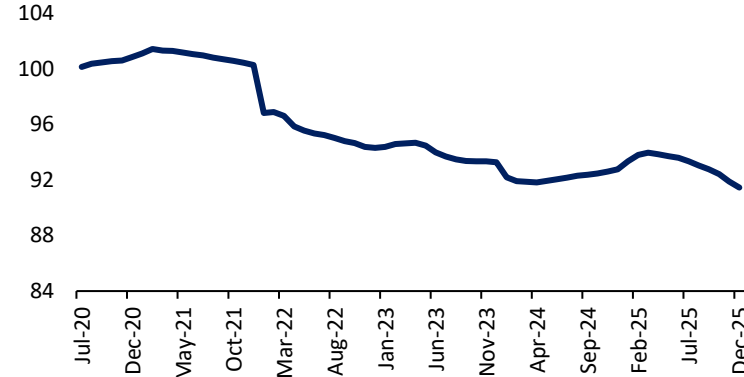
GDP growth moderating on the back of slow domestic demand



Source: Bloomberg

China Real Estate Climate Indicator

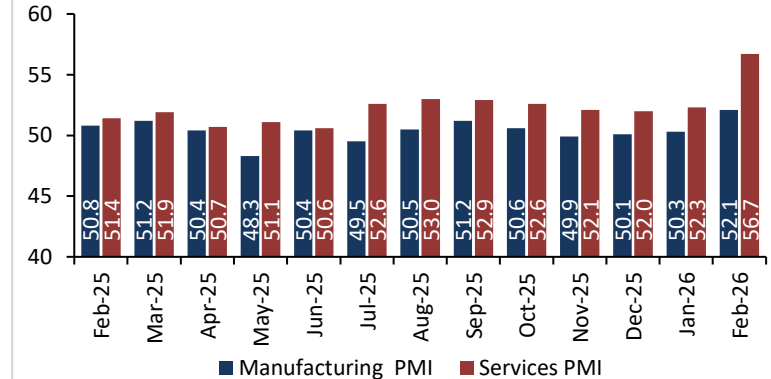
Remains weak



Source: Bloomberg

China Manufacturing & Services PMI

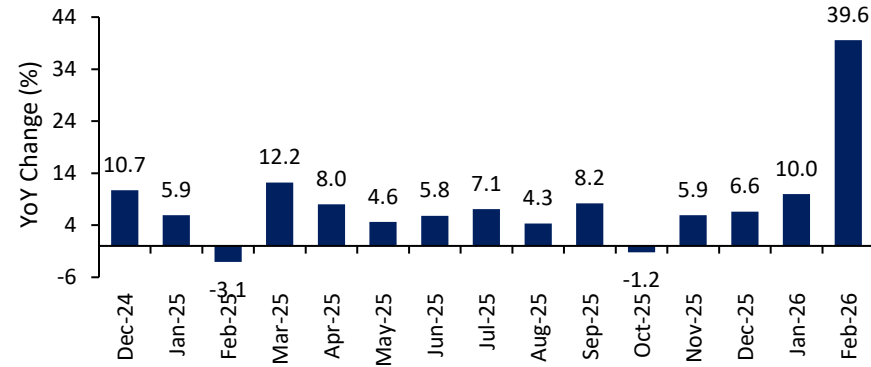
PMI remains stable



Source: Bloomberg

China's Export Growth

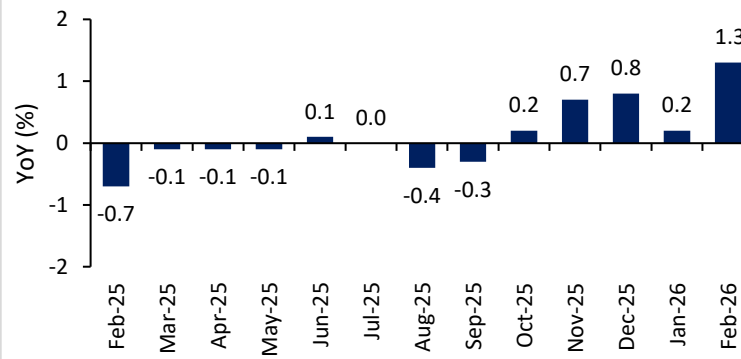
Exports growth remains strong



Source: Bloomberg

China CPI

With low inflation, stimulus unlikely to overheat the economy



Source: Bloomberg

Chinese President Xi Jinping Pitches for Boosting Domestic Consumption

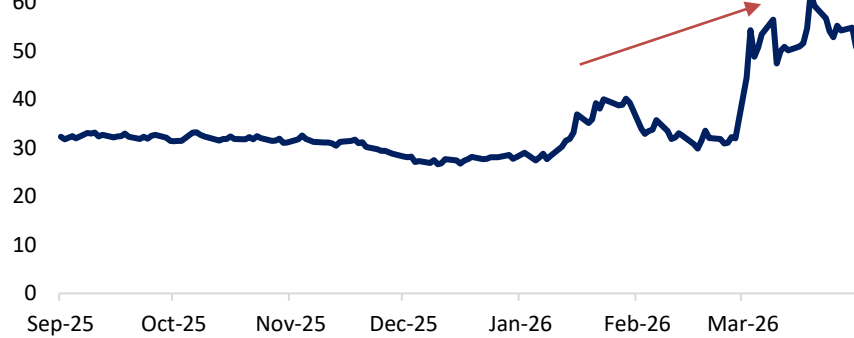
- **Pivot to Domestic Demand:** Xi has designated domestic consumption as the "main driver" of growth to reduce reliance on volatile export markets.
- **Structural Targets:** The upcoming 15th Five-Year Plan aims to raise household consumption to nearly 50% of GDP by 2030.
- **Service-Sector Expansion:** Policy focus has shifted from manufacturing durables to boosting the "Silver Economy" (elderly care) and high-tech services.
- **Income Redistribution:** Directives emphasize increasing rural disposable income and social safety nets to unlock latent consumer spending.

Source: Media Reports

Commodities: Remains a mixed bag, sustained oil shock can have a negative effect on global growth

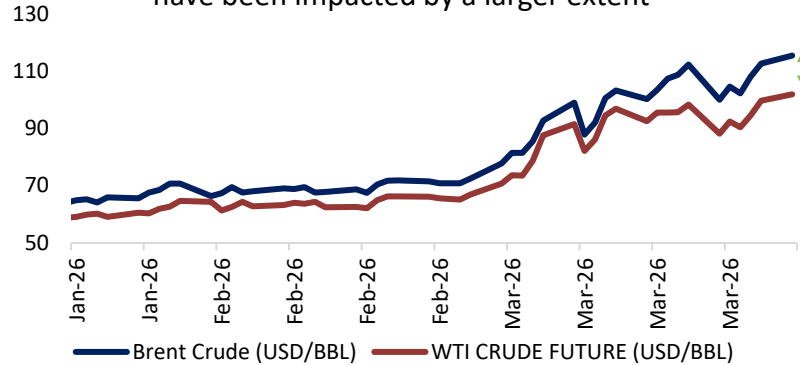
Dutch TTF Natural Gas Futures Price

Higher gas prices in Europe may keep electricity prices elevated



Source: Bloomberg

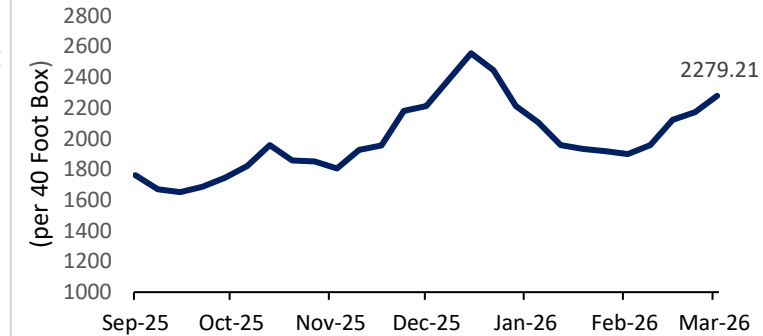
Spread between Brent and WTI futures has increased, indicating regions apart from the US have been impacted by a larger extent



Source: Bloomberg

Drewry World Container Index

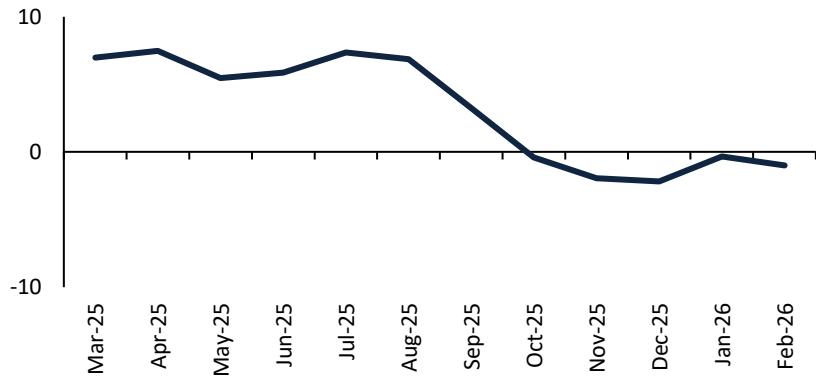
Shipping costs have risen on the back of West Asia war



Source: Bloomberg

UN Food and Agriculture World Food Price Index

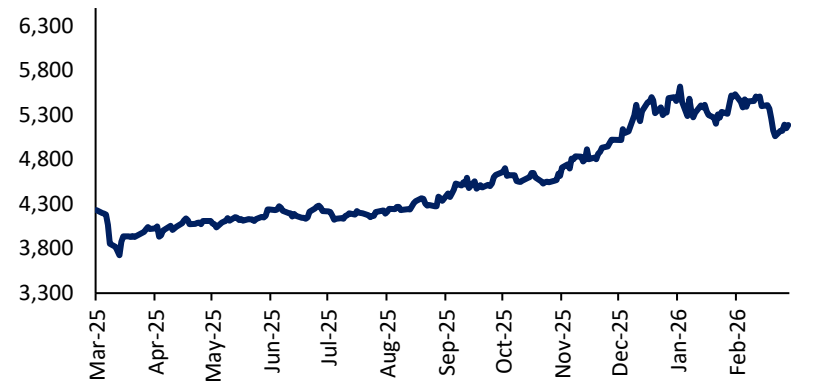
Food prices remain stable



Source: Bloomberg

London Metals Exchange Index

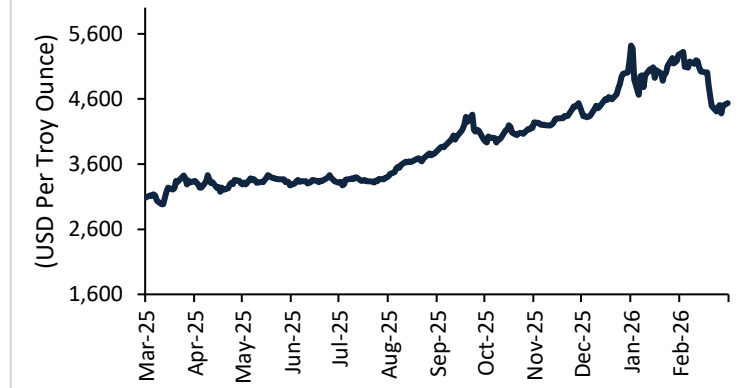
Metals prices moving in a range post recent rally



Source: Bloomberg

Gold Price

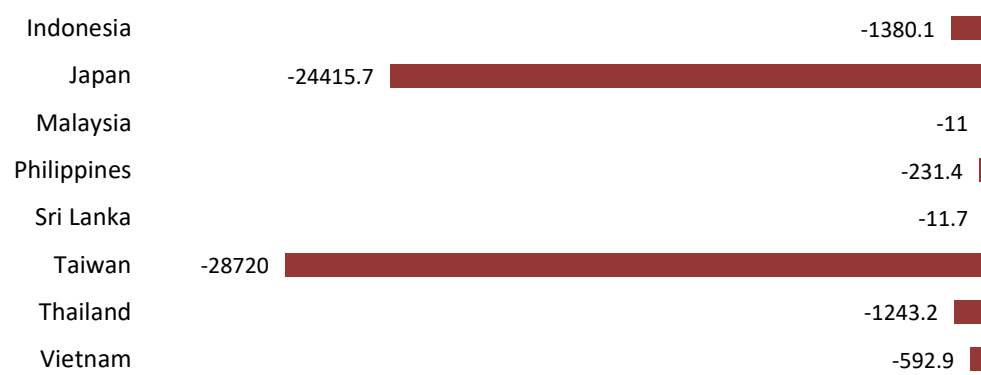
Gold prices consolidating



Source: Bloomberg

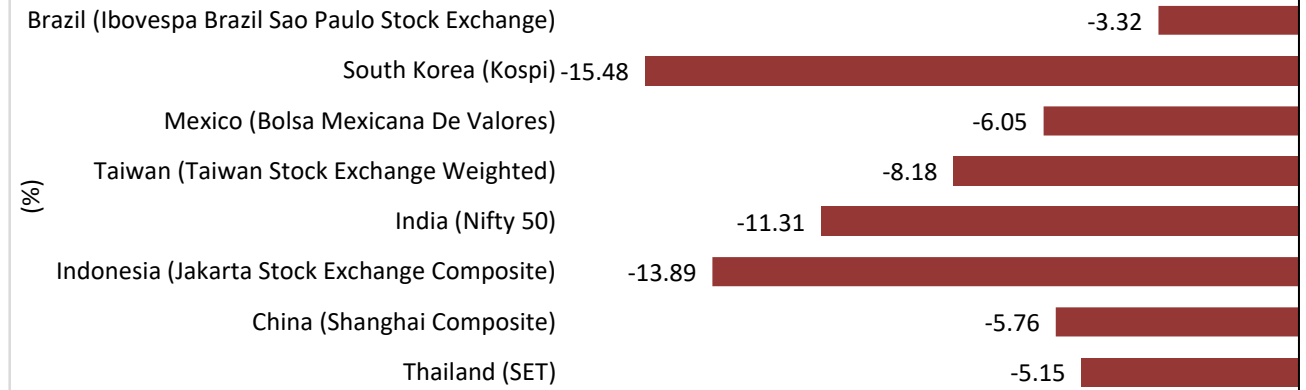
Emerging Markets: Rising Dollar index and West Asia war led to FPI outflows from Emerging Markets

Emerging Markets - Net Flows In March 2026
(USD Mn)



Source: Bloomberg

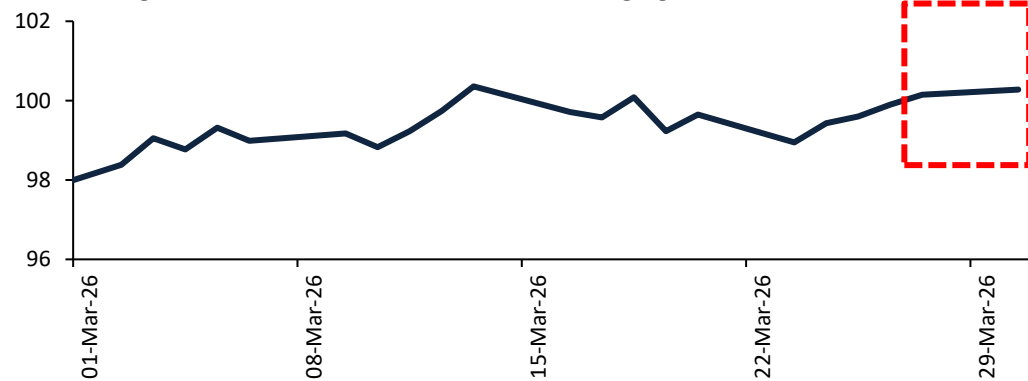
Emerging Markets - Absolute Returns of major equity indices in March 2026



Source: Bloomberg, Data taken as on 30th March, 2026

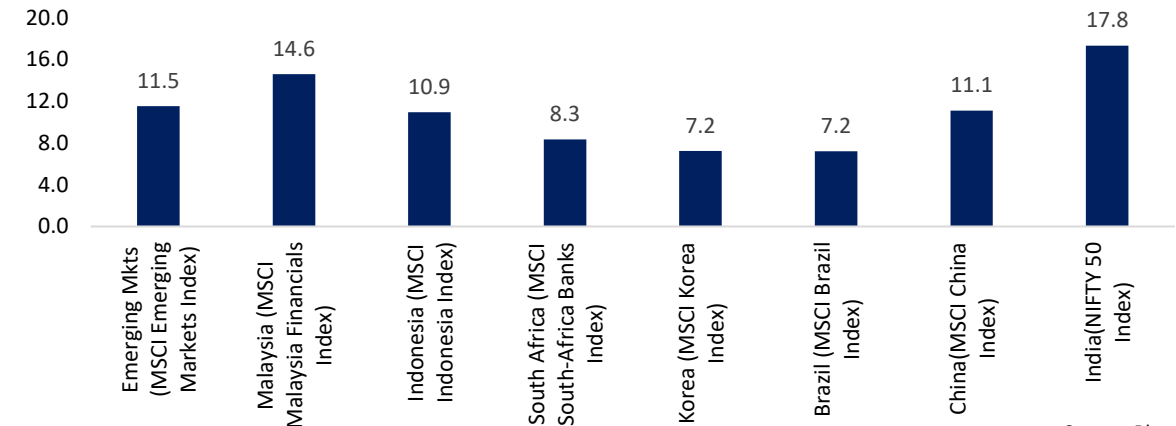
US Dollar Index

Rising Dollar Index led to outflows from Emerging Markets



Source: Bloomberg

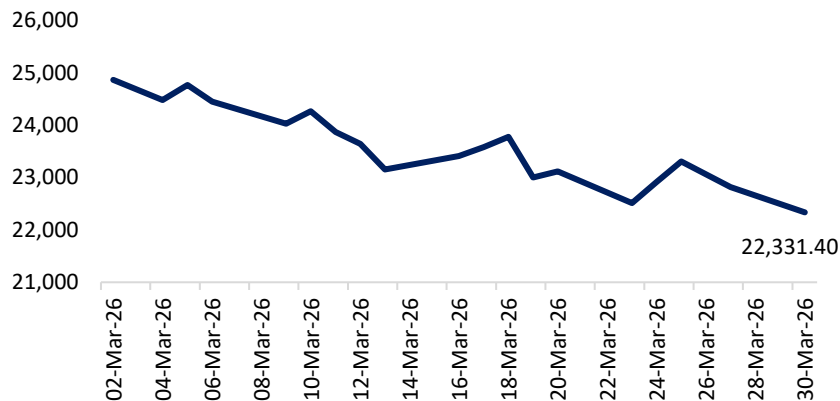
12M Expected Fwd PE of Various EM indices



Source: Bloomberg

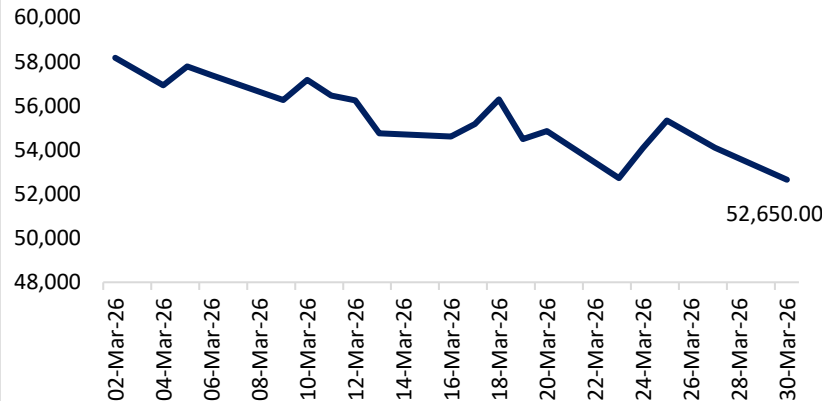
Escalating geopolitical tensions and INR trading at an all-time low on sustained Foreign Institutional Investor (FII) outflows continued to impact the market sentiments negatively

Nifty 50 price movement



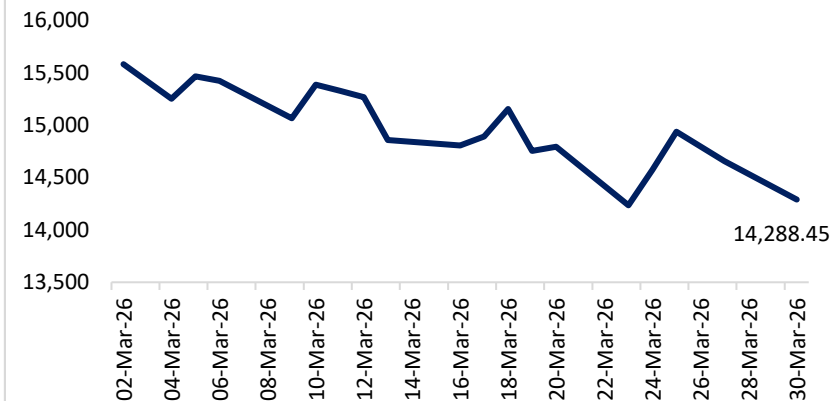
Source: Bloomberg

Nifty Midcap 100 price movement



Source: Bloomberg

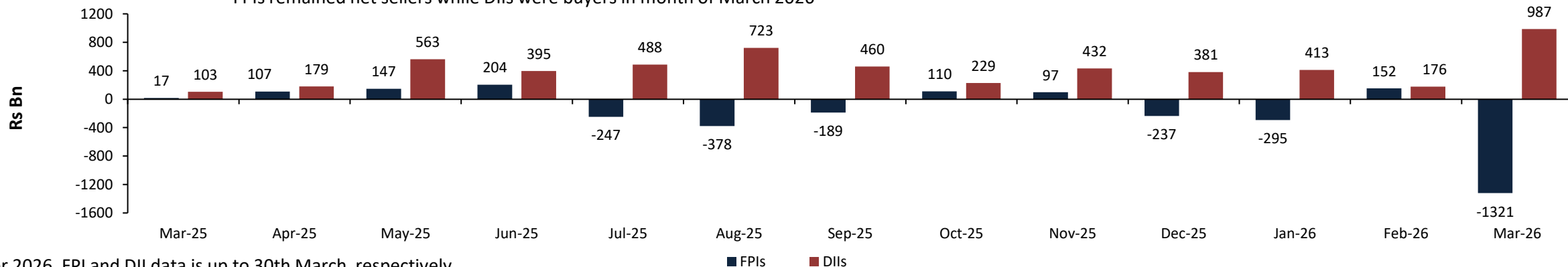
Nifty Small cap 250 price movement



Source: Bloomberg

Net Flows In Equities (Stock Exchange and Primary market & others)

FPIs remained net sellers while DIIs were buyers in month of March 2026



*For 2026, FPI and DII data is up to 30th March respectively.

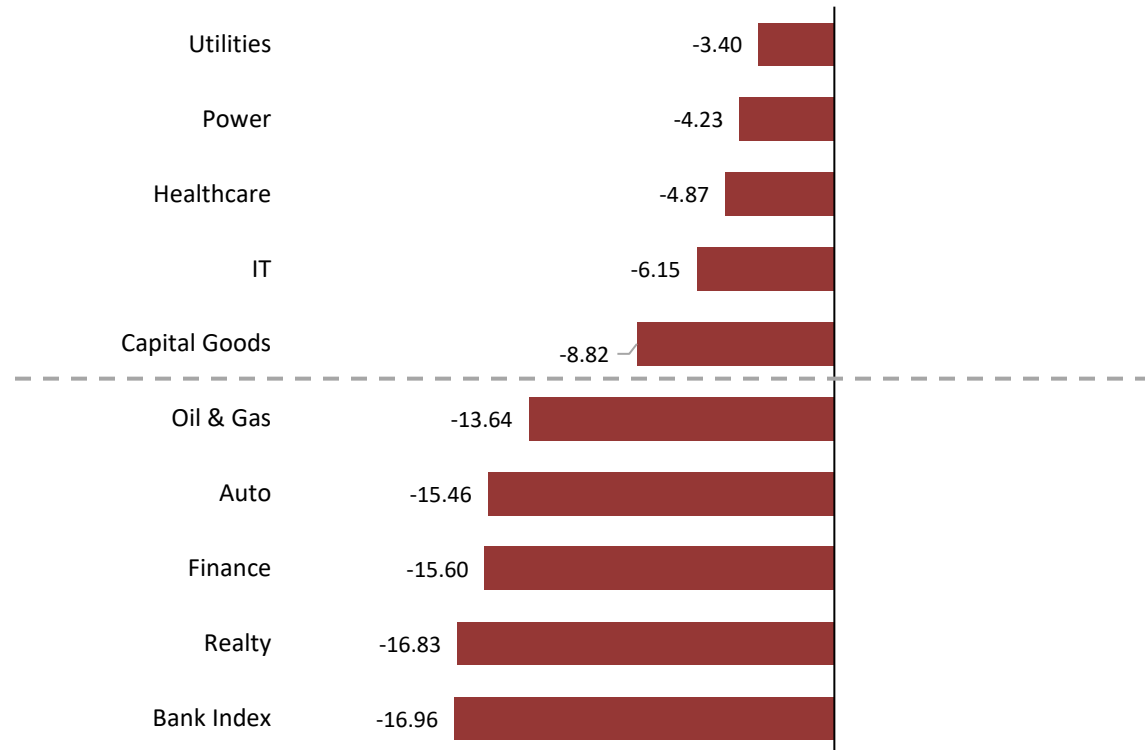
**Net Flows In Equities is the sum total of flows in Stock Exchange and Primary market & others

Source: SEBI, CDSL

Sectoral performance and FPI flows in March 2026

S&P BSE Sectors - Absolute Return In March 2026 (%)

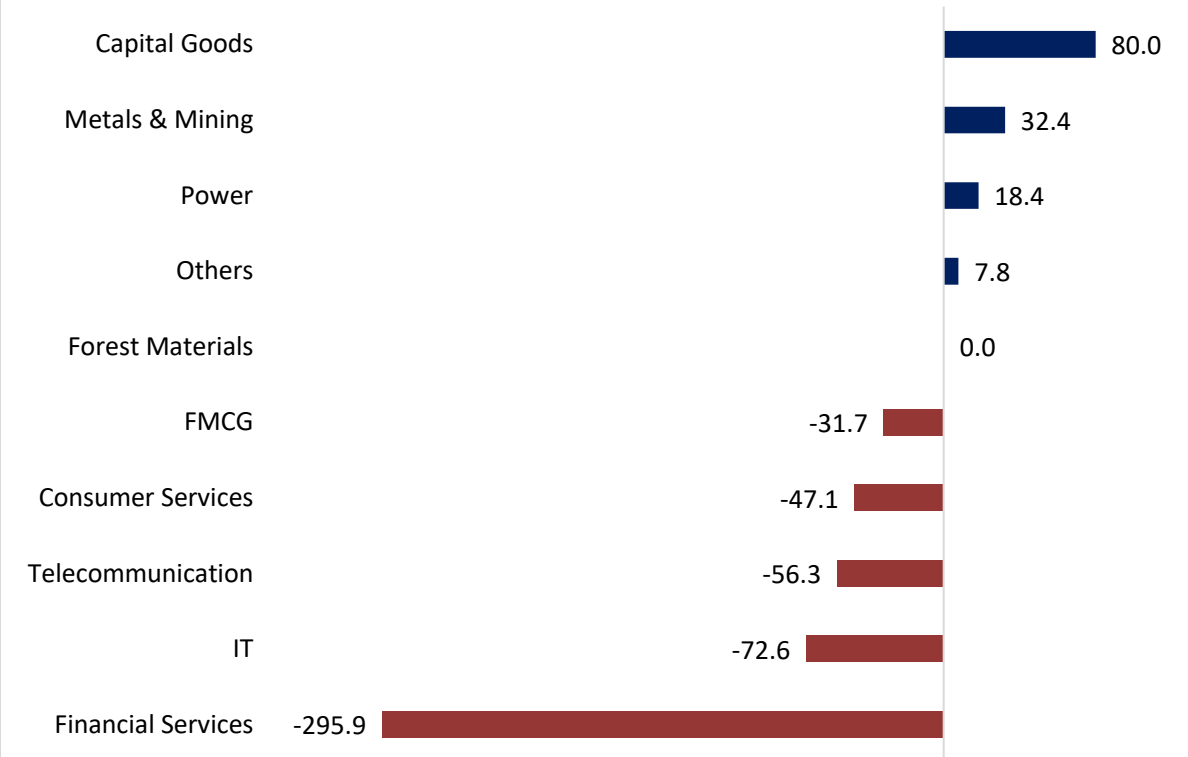
(Only the top and bottom 5 sectors shown)



Source: Ace MF

Sectoral FPI flows - Top 5 and Bottom 5 shown (Rs in Bn)

Data is from Feb 16, 2026 till Mar 15, 2026

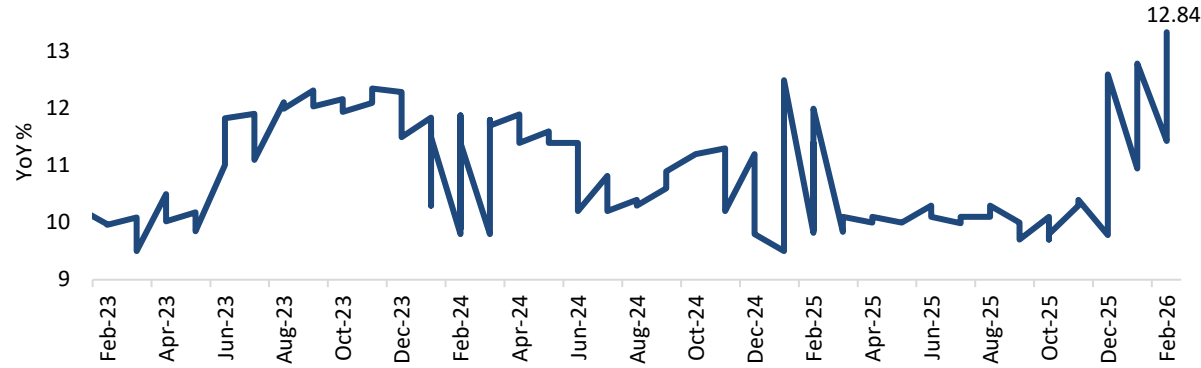


Source: NSDL

India Macros: Growth remains strong, though high crude prices pose a risk for CAD and Inflation

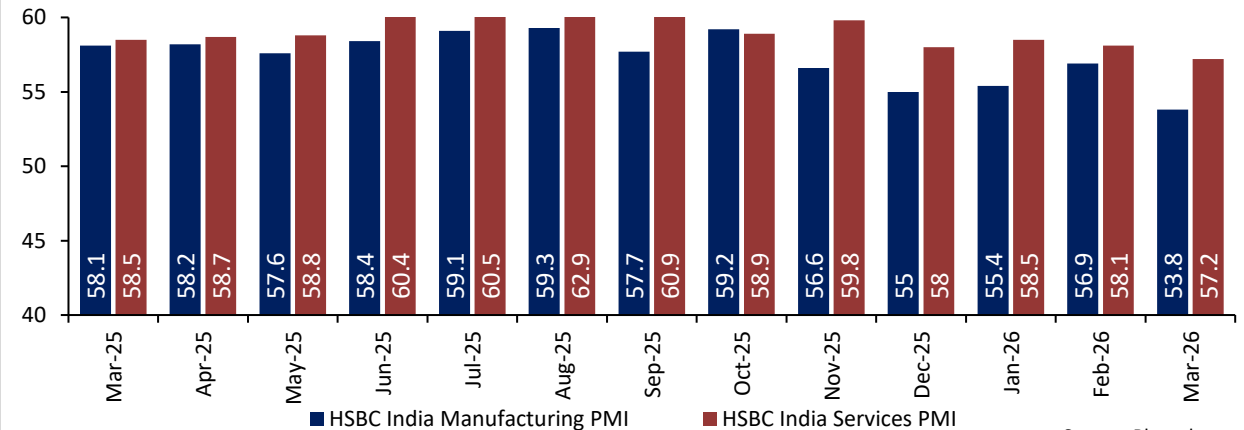
India Money Supply M3

Money supply in the system is strong



Source: Bloomberg

PMI, though decelerating, remains strong



Source: Bloomberg

Impact on Inflation

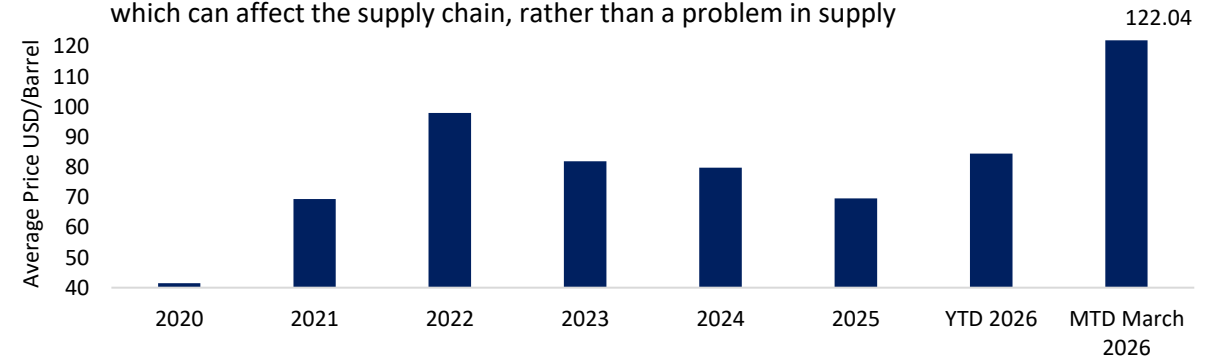
At the retail level, for every 10% increase in crude oil, with complete pass-through to petrol and diesel prices, the direct impact on inflation is estimated at 50 bps.

10% increase in prices Impact on CPI (in bps)		Products	Weight(%)
Petrol	44.9	Petrol	4.49
Diesel	3.2	Diesel	0.32
LPG	19.8	LPG	1.98
Gold	6.2	Kerosene	0.01
Silver	3.1	CNG	0.04
Kerosene	0.1	Total	6.84
CNG	0.4		

Source: MoSPI, HDFC Bank Treasury Research

India Crude Price Basket Rises Sharply

Soaring crude prices is more of a logistics issue due to challenges in transit of ships which can affect the supply chain, rather than a problem in supply

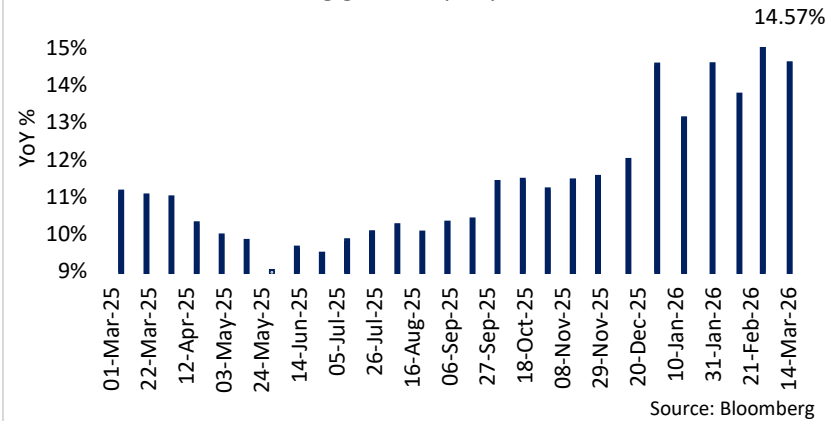


Source: Cogencis

Urban Economy: Strong consumption visible

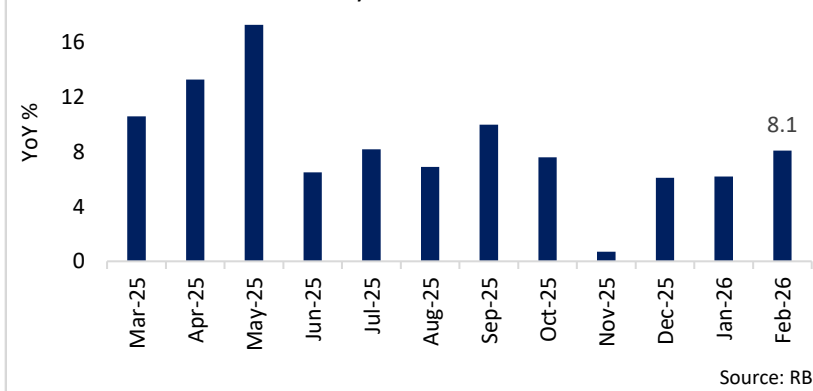
Total Commercial Credit Growth

Commercial lending grows rapidly



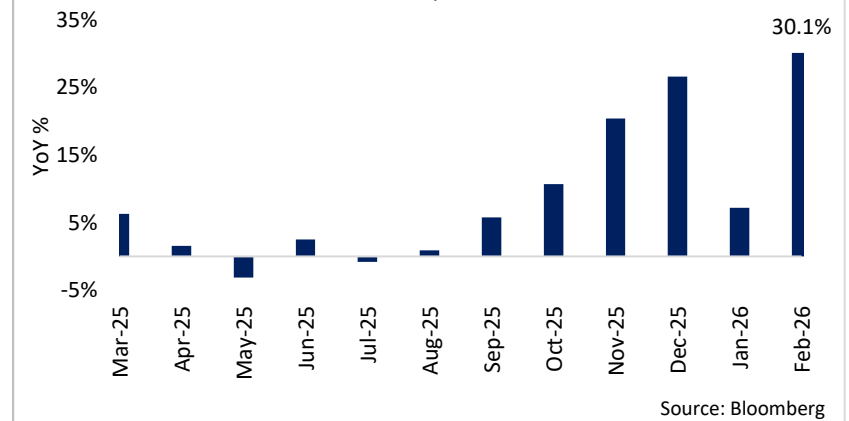
GST Revenue

GST revenue strengthened, reflecting sustained demand and economic activity



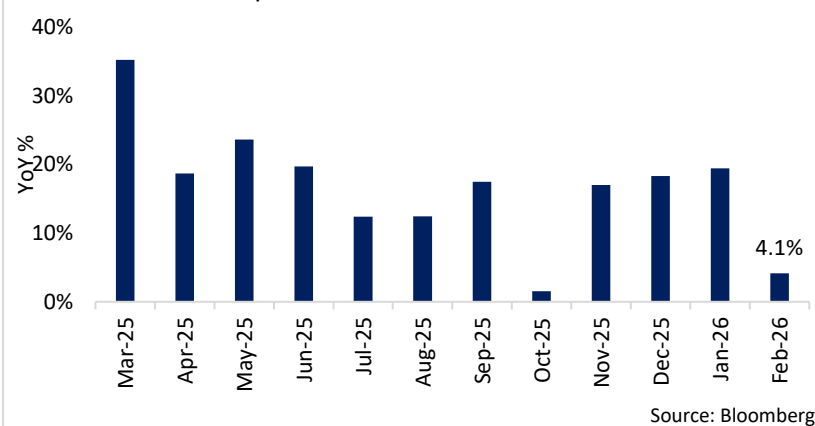
Passenger Vehicle Registrations (% YoY)

Vehicle sales continue to expand



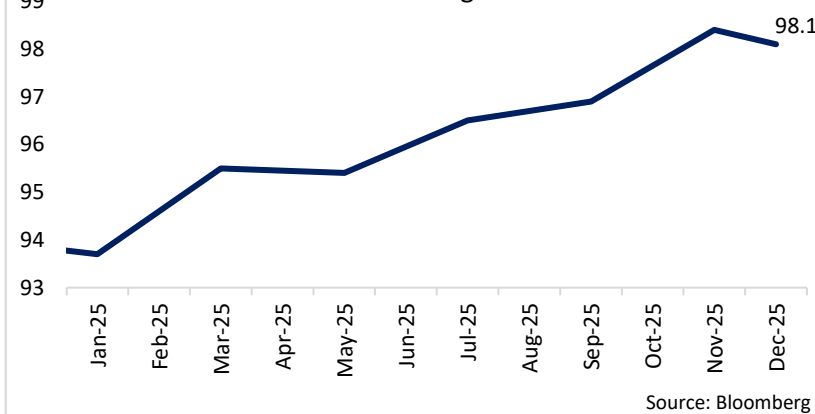
India Net Service Exports

Net service exports slowed down a little



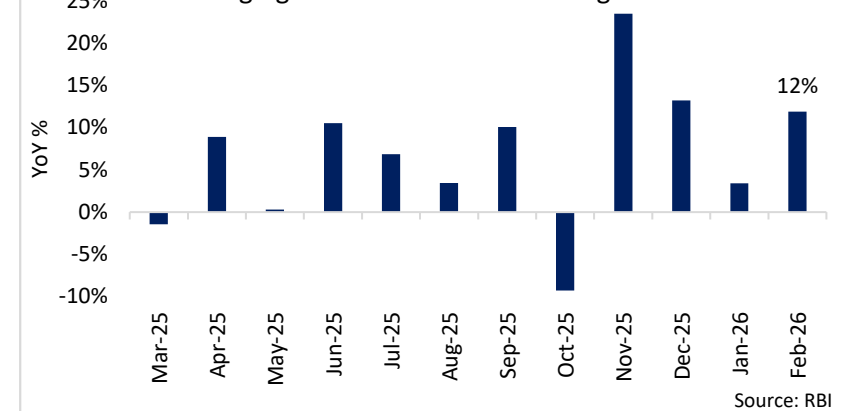
Consumer Confidence Index

Consumer confidence trends higher



Naukari JobSpeak Index

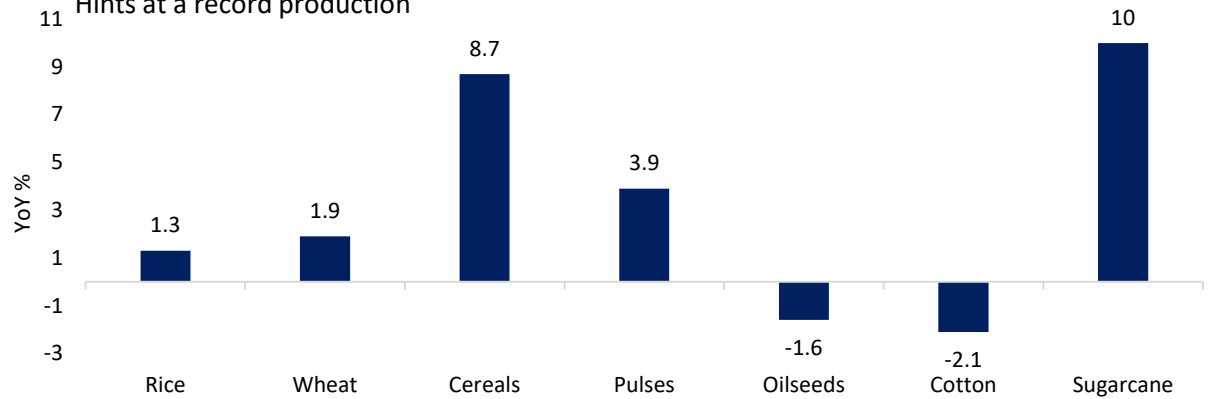
Double digit growth in white collar hiring observed



Rural Economy: Rural economy remains robust...higher crop production to boost rural income

Second Advance Estimates of Agricultural Production

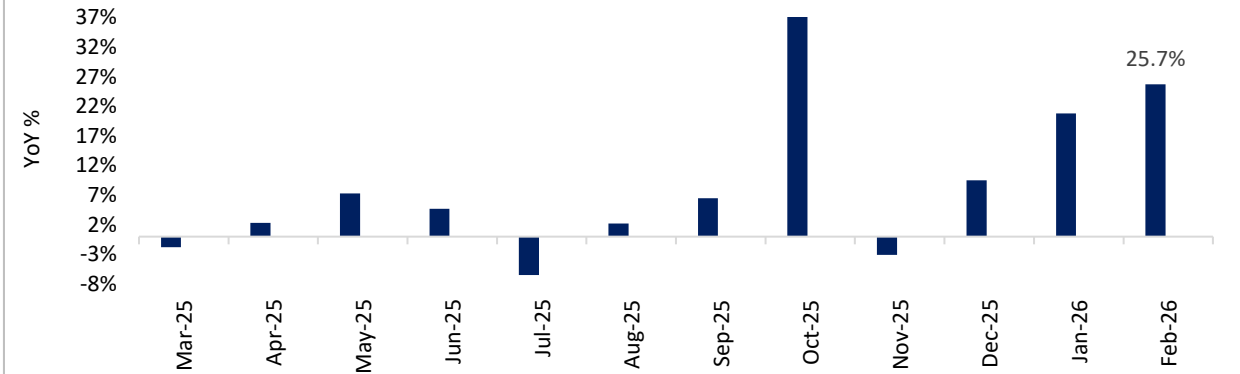
Hints at a record production



Source: RBI

Two-Wheeler Sales

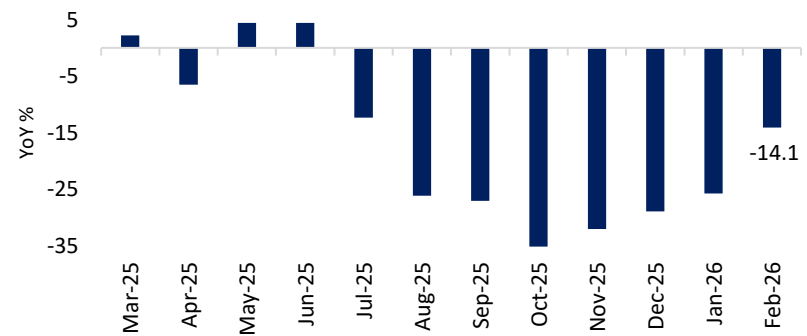
Demand remains robust



Source: Bloomberg

MGNREGA Work Demand

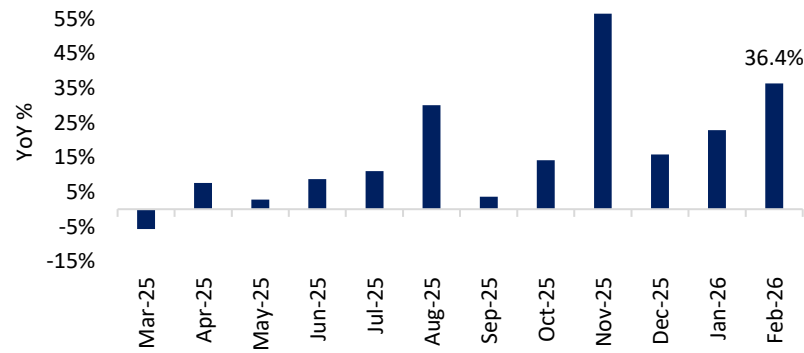
Work demand stays low throughout the winter season, suggesting improved other employment options



Source: RBI

India Tractor Sales

Showing strength



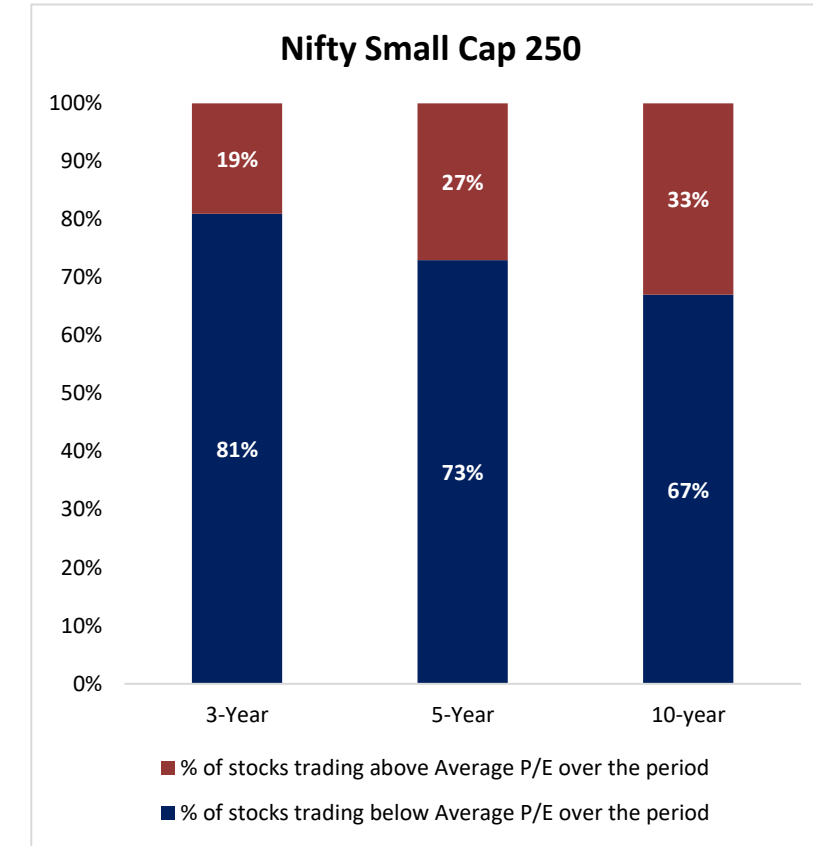
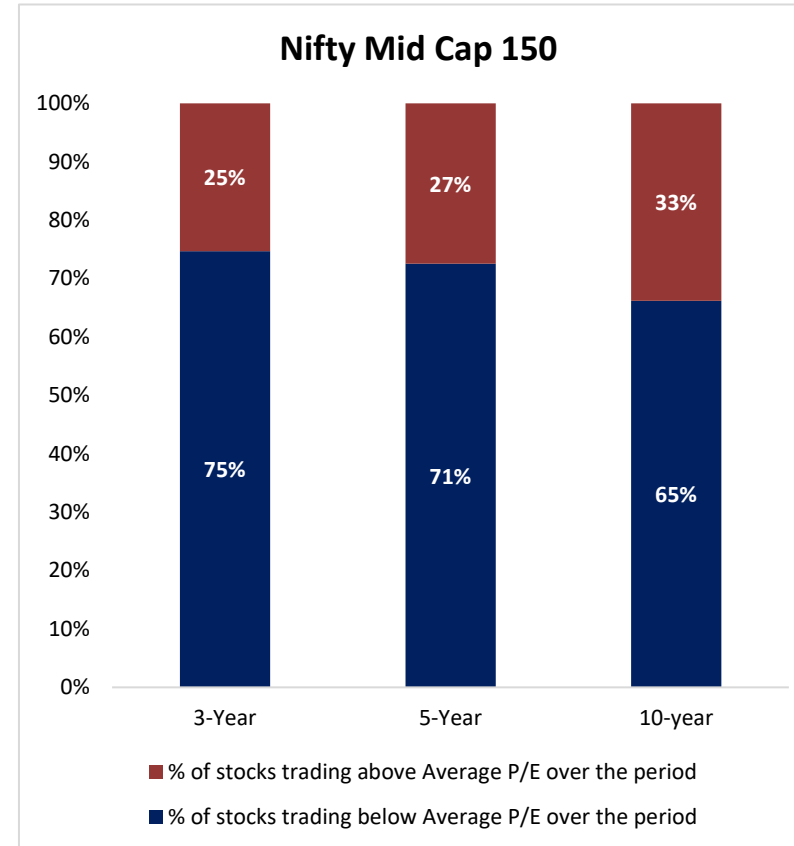
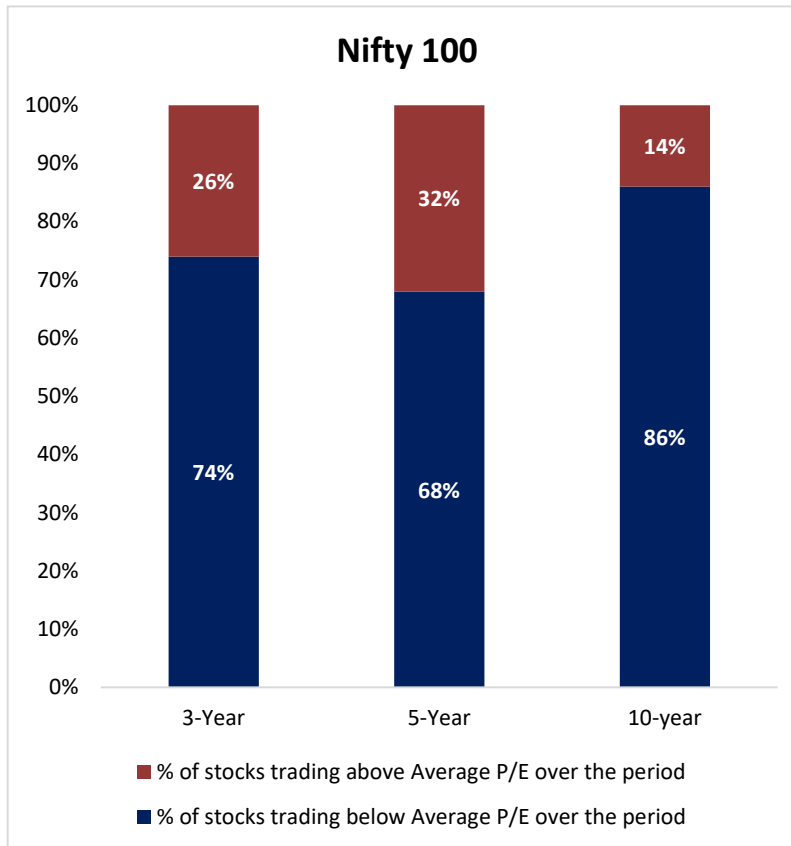
Source: Bloomberg

ENSO Neutral Conditions

- The India Meteorological Department (IMD) now projects ENSO-neutral conditions for 2026, implying neither El Niño nor La Niña currently active.
- Early modelling by IMD suggests a slightly above-normal monsoon, at approximately 105% of the long-period average. Initial estimates assume stable monsoon. Though, some media reports are hinting at expectations of weaker monsoon.
- Neutral ENSO conditions reduce extreme monsoon risk compared to strong El Niño years, likely avoiding the severe crop and inflation impacts.

Source: IMD

Valuations across market caps are relatively cheaper, strengthening the case for investors to allocate strategically

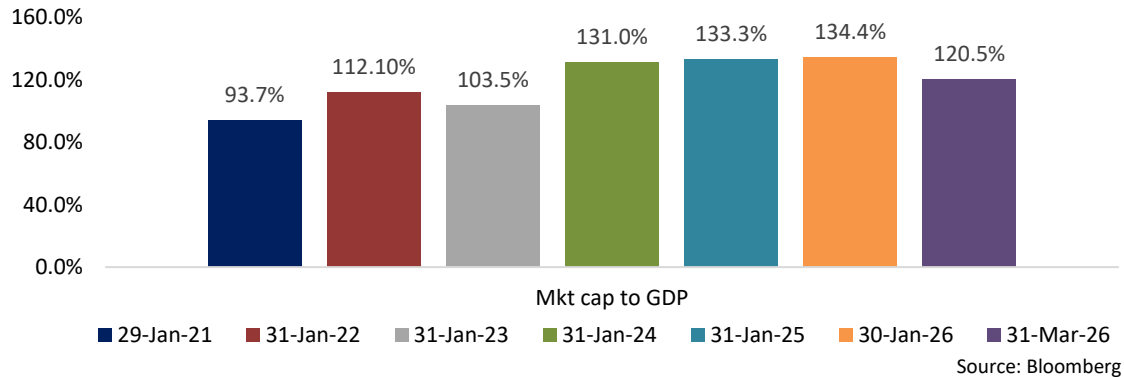


Note: Past performance of the funds/index cannot be taken as a indicator for future performance. Source: Capitaline. Data as on 20th March, 2026

India : Valuations have moved to a reasonable zone and opportunities in the market have emerged across the board

India's Market Cap to GDP

The ratio has contracted after the correction in the last few months as the Nominal GDP numbers held up. However, still remains at elevated levels



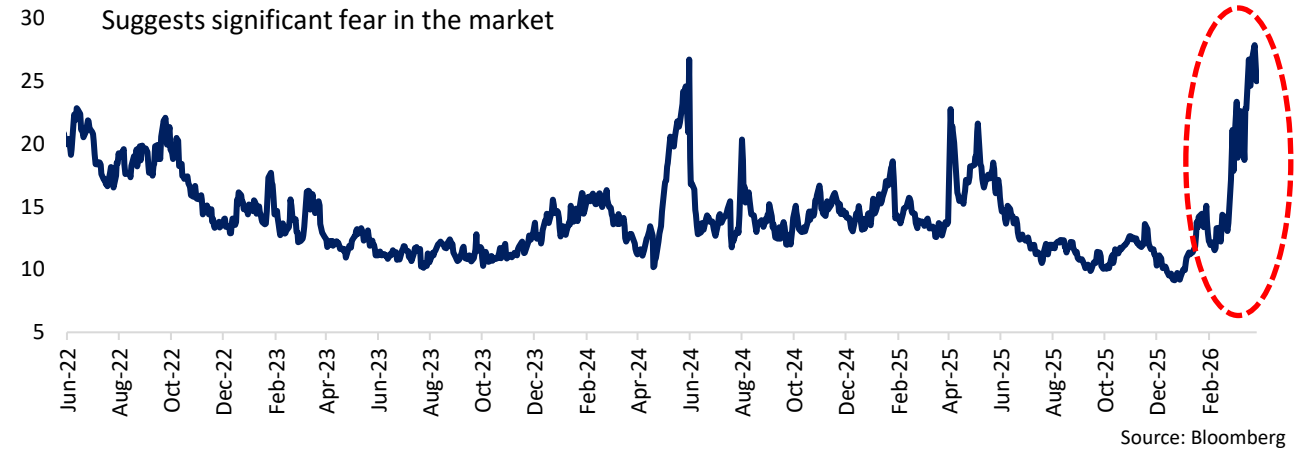
With recent corrections in the markets, valuations have become reasonable, though still not cheap overall. Given sustained earnings delivery in Mid and Small caps, Fund Managers see select opportunities.

Index	P/E FY27 (Est.)	P/E FY28 (Est.)	EPS FY27 (Est.)	EPS FY28 (Est.)	PEG FY27 (Est.)
Nifty 50	17.78	15.61	1276	1453	1.151
Nifty Midcap 100	26.57	21.59	2026	2493	1.600
Nifty Smallcap 100	21.86	17.18	719	915	0.808

Source: Bloomberg

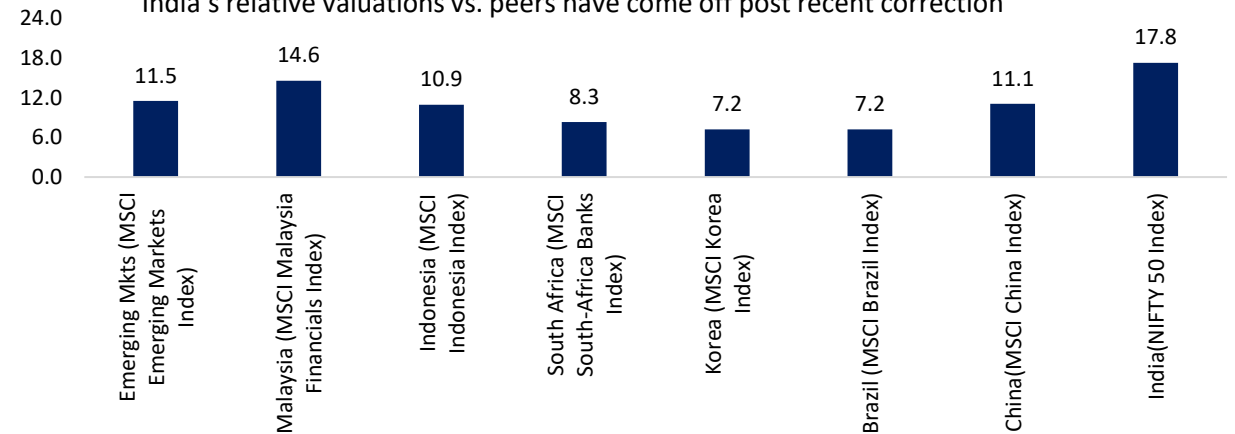
India VIX

Suggests significant fear in the market



12M Expected Fwd PE of Various Economies

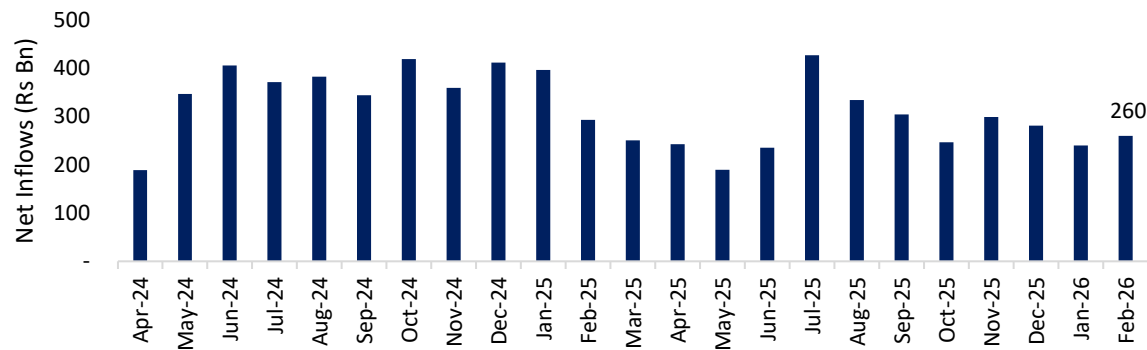
India's relative valuations vs. peers have come off post recent correction



Retail investment in Mutual Funds continues to support the market at a time when the FPI's have sold relentlessly

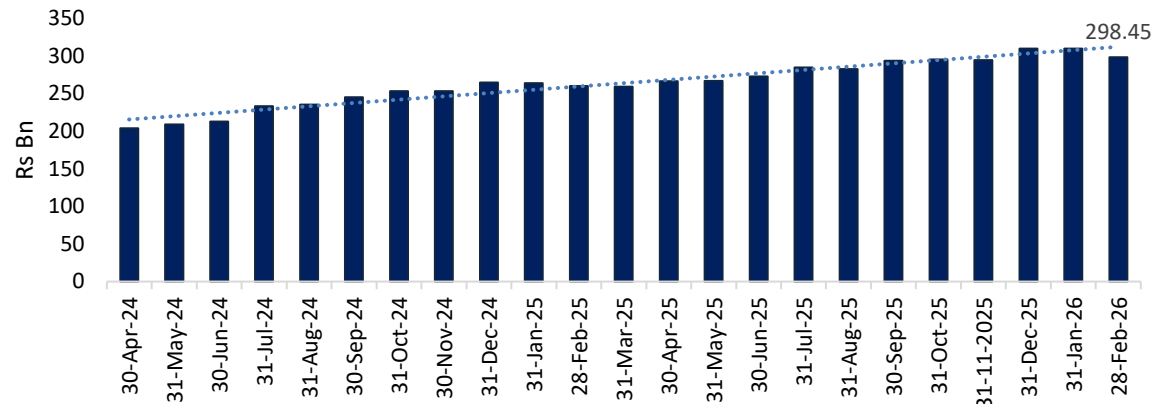
Pure Equity Funds Flows

Mutual Funds continue to drive the market performance on the back of strong flows



Source: AMFI

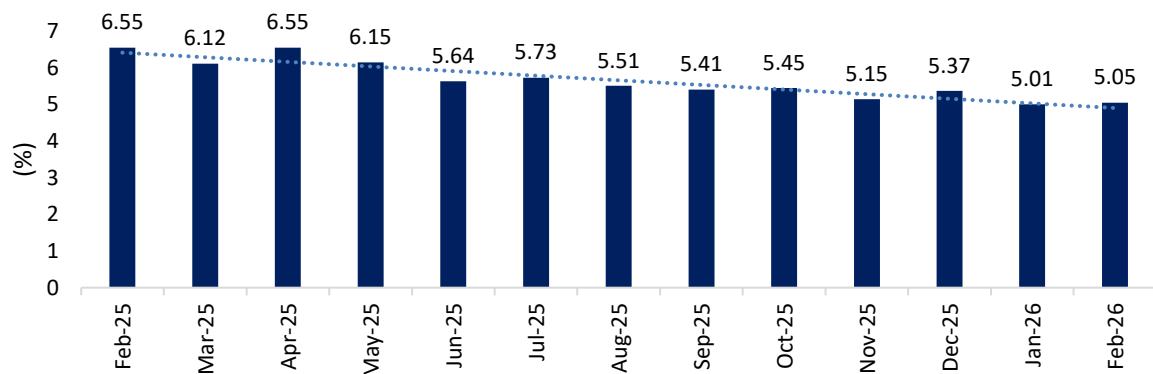
Monthly SIP contribution remains healthy



Source: AMFI

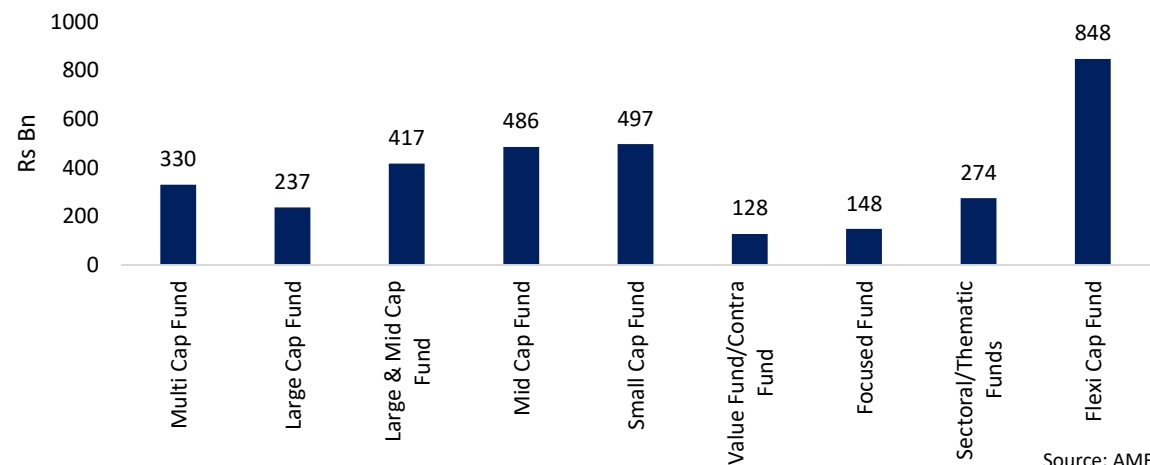
Mutual Funds Aggregate Cash Value

As Mutual Funds become more confident on Earnings, cash levels are coming down



Source: ACE MF

Category wise Net Flows

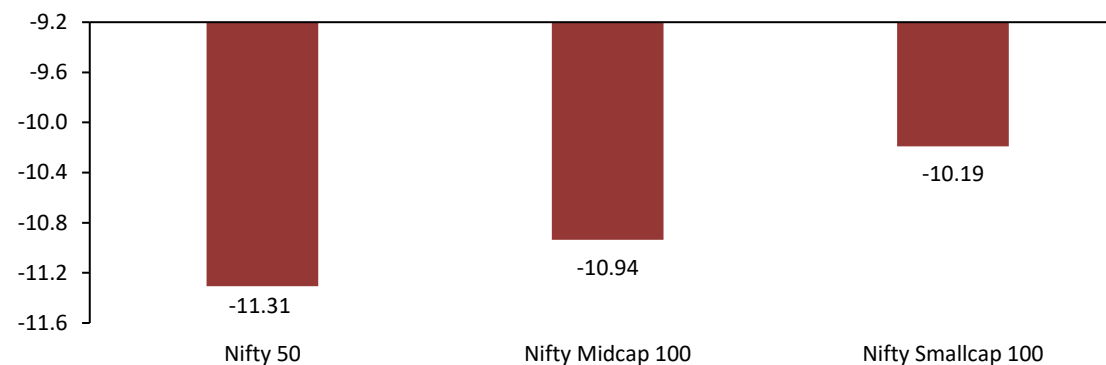


Source: AMFI

Market Roundup – March 2026

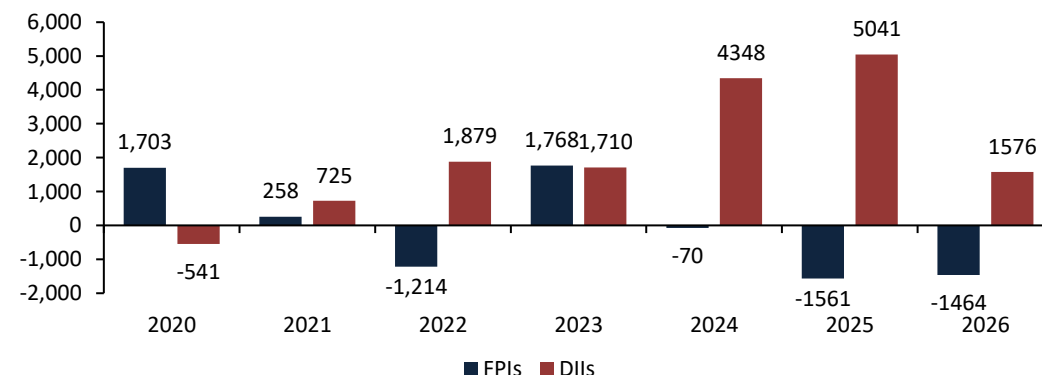
- Indian equities ended the month on a negative note. Large cap-oriented BSE Sensex ended lower by 11.5% (MoM) and Nifty 50 ended lower by 11.3% (MoM). While the BSE Midcap index ended lower by 11.2% (MoM) and BSE Small cap index ended lower by 10.9% (MoM).
- In terms of BSE sectoral indices, the sectors ended on a negative note. Bank Index, Realty and Auto were the detractors during the month.
- During the month, FPIs were net sellers in equities to the tune of Rs 1321 bn. (Data as on 30th March).
- Domestic equity markets ended the month on a negative note amid escalating geopolitical tensions, rupee trading at an all-time low on sustained foreign institutional investor outflows and heightened concerns over rising global oil prices. Furthermore, the US Fed's decision to maintain its policy rate contributed to the subdued market sentiment.

Absolute Return In March 2026 (%)



Source: Bloomberg

Net Flows In Equities



*For 2026, FPI and DII data is up to 30th March respectively.

**Net Flows In Equities is the sum total of flows in Stock Exchange and Primary market & others

Source: SEBI, CDSL

Key concerns for Indian equities

- Low growth in consumer demand if AI adoption leads to white-collar job losses.
- West Asia conflict engulfing more parties from both sides.
- The impact of Dollar Index and US Bond Yields on FPI flows into Emerging Markets.
- Tariff policy adopted by the Trump Administration after the Supreme Court verdict, retaliatory tariffs from other nations.
- Gradual decline of the WTO as an institution and countries doing more bilateral trade deals.

Annexure...

Sectoral outlook by fund managers – Part 1

Sector	Particulars
BFSI	View – Neutral to Positive - Large cap, private sector banks are being preferred. Some exposure to large PSU banks and select exposure to midcap banks also being look at. Corporate credit demand is showing improvement. Valuations are low, NIMs have bottomed and stocks have underperformed. - Policy support from the RBI is expected to improve the liquidity situation going ahead. - Capital markets plays are experiencing regulatory overhangs and may see valuation correction. - In the MFI space, there is a cyclical recovery but no new borrowers have come in, which indicates that structurally the penetration story may be peaking.
IT	View – Negative to Neutral - The growth expectations from large cap names remain muted but they are emerging as a value play and funds are now looking to cut underweights. - A narrative of AI-led disruption has set in and the multiples can come off further. - There is uncertainty around terminal growth rates which is leading to a contraction in multiples. - Some Fund Managers are looking to take exposure to Small cap names on expectations of a turnaround, they would be looking to buy on dips.
Healthcare	View – Neutral - Domestic demand is holding up and is expected to grow at low double-digits. GLP-1 is a new category and is expected to contribute to growth. - Some Fund Managers favour export-centric players who may benefit from the weakness in INR vs. the USD. - Hospitals- Larger franchises preferred. The CGHS (Central Government Health Scheme) rates were revised upwards in November 2025 which have not been priced in yet. If the median age of the country is set to rise, hospitals as a space should do well. Valuations are the only risk. - CDMO- Players with capable managements who have a long-term perspective for the company are preferred.
Auto & Auto Ancillaries	View – Neutral to Positive - GST cuts have helped volume growth but the recent uptick in commodity prices may act as a headwind for margins and players who can pass on the Raw Material inflation to customers are preferred. Players with a better launch pipeline are preferred. - Demand across the board, for PVs, 2-wheelers and CVs, is seeing strong momentum. Fund Managers are gradually adding at the margin. - The <u>Auto Ancillary</u> players are in a position to pass on the inflated raw material costs better than Auto OEMs. Exports demand remains strong.

Sectoral outlook by fund managers – Part 2

Sector	Particulars
Construction & Real Estate	View – Neutral - The upper end of the housing segment is likely to see gradual stagnations. Companies with strong land-banks and high rental incomes are being preferred. - The Government's focus is on infrastructure and investment cycle and has seen strong spending recently. Recent correction in this segment seems to be giving buying opportunities in few stocks. - Fund Managers prefer investing in this space through proxy sectors such as Cement players.
Consumption	View – Consumer Services – Neutral to Positive, Consumer Durables and FMCG- Neutral to Positive - Staples – Alcohol companies have seen traction. Volume growth remains weak for FMCG players as penetration levels remain high and companies are not willing to let go of their cyclically high margins. Recently, companies have seen volume uptick which can drive the stock prices in the medium-term. - Hotels/Travel – Valuations remain rich, funds looking to trim at margin. - Consumer Durables – Fund Managers are looking at players who are gaining market share and adding exposure, including to select EMS plays. - Retail and Consumer Tech: Retail valuations have seen correction, focus is on Value Apparel Retailers. Earnings may come under stress due to heightened competition. Earnings have disappointed in the QSR space. Consumer Tech- Cash burning rates can come off. The industry's growth rate remains healthy but competitive intensity has increased in the past 6 months Long-term positives - Higher disposable income due to tax cuts. - Premiumization across categories. - Implementation of GST cuts and upcoming 8th Pay Commission.
Capital Goods, Industrials, Utilities	View –Neutral to Positive - The Government spending growth has sharpened to fewer sectors - There remains a power shortage globally which could lead to a resurgence in power demand. The order books for T&D players remain strong and demand remains a key monitorable. <u>Power T&D</u>- valuations are very high but can continue to deliver ~20-30% earnings growth for the next 2-3 years. <u>Defence</u>- Players with capability may get export opportunities in friendly countries as they are more competitive than their US and European counterparts. <u>Data Centres</u>- There are no direct plays in the listed space and ancillary plays like Wires and Cables (~6-7% constituents) and DC gensets (~4-5% constituents) are indirect plays.
Metals	View – Positive Metals remain a tactical play. AI-led capex in the US, and China anti-involution to support.

Sectoral Movement

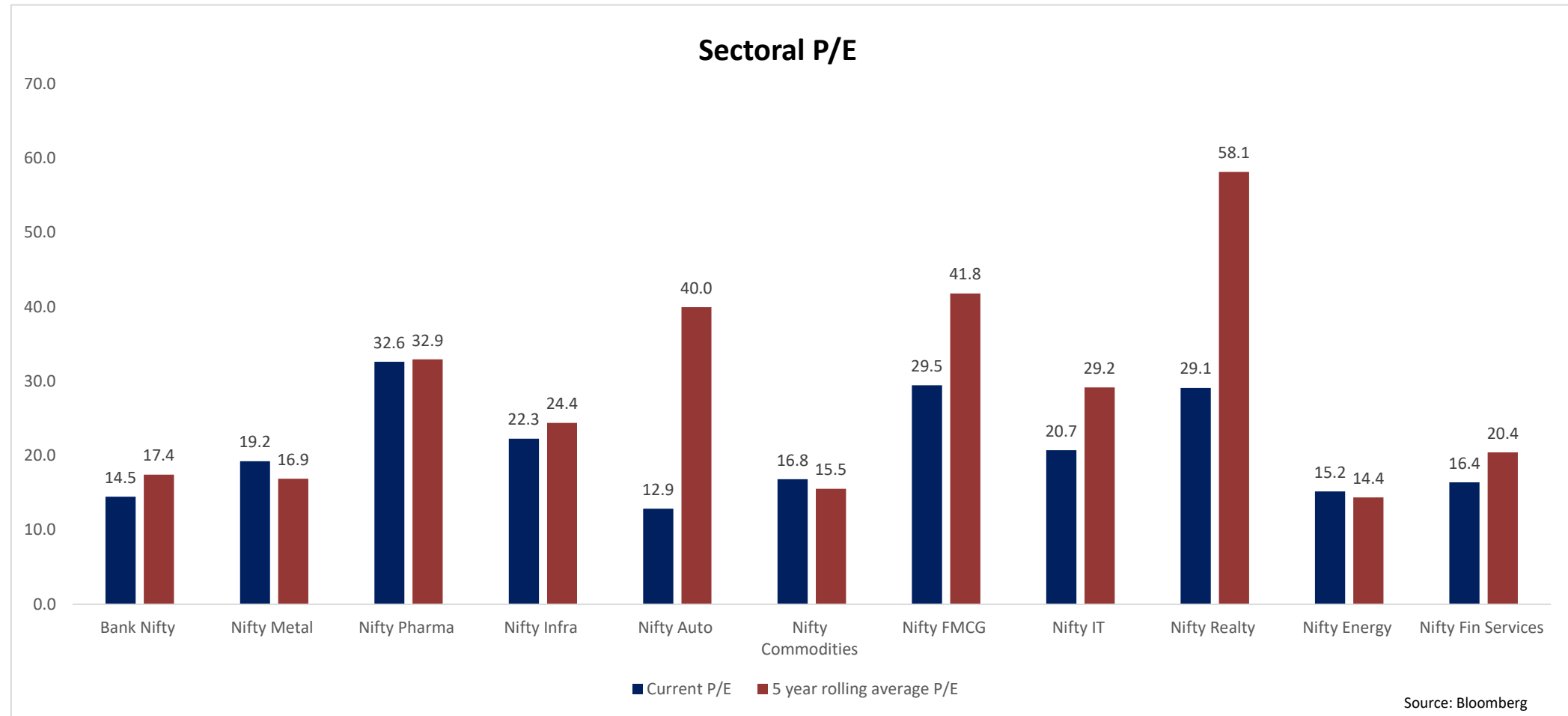
Absolute Monthly Return By Sector (%)													
Index	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
BSE 500	7.29	3.16	3.39	3.43	-2.87	-1.93	1.21	4.20	0.86	-0.25	-3.36	0.38	-11.40
Auto	4.02	4.73	4.73	2.24	-1.11	5.78	5.89	1.04	3.14	1.31	-5.20	4.95	-15.46
Bankex	8.55	5.17	0.85	1.62	-3.24	-3.34	2.48	5.56	3.10	-0.28	0.46	1.60	-16.96
Basic Material	10.70	-0.62	4.22	5.43	-1.38	-2.36	2.45	2.63	-3.41	4.06	1.38	1.08	-10.59
Capital Goods	13.55	0.09	13.24	1.75	-5.66	-4.13	4.39	3.10	-1.70	-3.03	-0.66	5.68	-8.82
Consumer Discretionary	4.40	3.98	4.32	3.49	-1.47	2.52	0.96	1.91	-0.18	-1.42	-6.86	2.34	-12.98
Consumer Durables	2.67	5.65	0.86	3.17	-0.52	1.96	-4.85	4.97	2.16	-3.01	-7.79	6.98	-11.11
Energy	9.46	5.02	1.95	3.09	-4.70	-3.87	4.22	5.82	-0.42	1.75	-2.54	2.99	-9.61
FMCG	5.79	5.17	-0.71	-0.33	1.61	0.21	-2.44	2.75	-1.22	-0.31	-7.90	0.01	-10.49
Finance	7.97	4.61	3.08	3.43	-2.66	-3.82	2.34	4.78	2.30	-0.64	-1.79	0.88	-15.60
Healthcare	8.40	1.91	0.93	3.88	2.51	-3.86	-1.25	3.38	0.80	-2.41	-5.60	6.22	-4.87
IT	-1.52	-2.97	5.26	3.33	-8.69	-1.07	-3.64	5.51	3.69	1.18	-0.33	-18.74	-6.15
Infra	12.36	0.70	5.03	2.72	-3.81	-4.75	4.44	3.21	-2.78	-1.27	-2.10	4.46	-9.73
Metal	10.07	-5.76	5.89	3.04	-2.56	-1.61	9.43	5.64	-2.89	7.91	5.52	4.07	-8.93
Oil & Gas	11.34	5.40	2.03	3.10	-3.84	-4.69	5.36	6.43	-1.51	1.78	-2.07	5.27	-13.64
Power	14.32	0.90	2.37	1.95	-3.45	-4.56	5.04	3.14	-4.51	-1.66	-1.70	8.99	-4.23
Realty	6.63	3.99	7.21	3.84	-7.33	-4.48	-0.36	9.20	-4.69	-2.96	-10.34	-0.58	-16.83
Telecom	6.84	8.73	3.55	6.10	-7.79	-4.48	0.48	7.22	2.40	1.87	-4.73	0.02	-9.04
Utilities	15.05	1.02	-0.85	2.95	-2.20	-4.47	5.11	3.18	-5.57	-0.96	-2.42	7.41	-3.40

The abovementioned sectoral indices pertain to the BSE universe

Colour scales assigned vertically

Source: Ace MF, HDFC Bank Research

Sectoral valuations have improved vs. long term averages



AMC Sectoral Holdings

	Auto & Auto Ancillaries	Banks & Finance	Capital Goods	Commodities	FMCG	Consumer Durables and Consumer Services	Housing & Construction	IT	Media	Oil & Gas, Energy	Other Equities	Pharma	Telecom	Textiles	Transport & Shipping, Logistics & Services
Nifty 500	7.36%	32.31%	6.21%	8.21%	5.88%	6.03%	4.02%	6.75%	0.12%	11.01%	0.10%	6.48%	3.39%	0.23%	1.86%
360 ONE MF	7.12%	32.42%	14.84%	4.23%	1.47%	11.01%	4.69%	4.60%	0.00%	2.82%	0.00%	3.57%	9.69%	0.00%	0.01%
Abakus MF	3.51%	32.11%	14.79%	7.07%	3.70%	5.27%	5.00%	2.66%	0.00%	9.00%	0.00%	7.64%	2.46%	0.00%	0.00%
Aditya Birla SL MF	8.97%	31.31%	5.80%	7.03%	5.80%	8.67%	3.36%	8.47%	0.00%	6.67%	0.41%	6.54%	2.82%	0.48%	1.67%
Axis MF	9.02%	26.93%	10.64%	7.39%	2.67%	8.48%	3.63%	4.51%	0.00%	4.50%	1.38%	9.29%	3.10%	0.31%	1.47%
Bajaj Finserv MF	8.93%	27.36%	7.96%	7.97%	4.19%	12.37%	3.35%	1.93%	0.28%	4.40%	0.89%	13.23%	2.98%	1.64%	0.30%
Bandhan MF	4.51%	30.65%	6.12%	6.90%	4.92%	7.20%	5.25%	4.70%	0.11%	7.09%	1.38%	8.33%	2.28%	1.04%	3.03%
Bank of India MF	5.99%	19.65%	11.33%	7.81%	5.80%	6.30%	2.74%	2.57%	0.45%	6.75%	0.20%	8.04%	2.48%	1.15%	2.16%
Baroda BNP Paribas MF	9.49%	24.64%	8.79%	8.17%	5.14%	7.93%	2.93%	5.67%	0.00%	8.68%	0.25%	9.89%	2.51%	0.00%	1.13%
Canara Robeco MF	8.43%	27.37%	9.70%	5.19%	6.16%	13.19%	3.27%	5.46%	0.08%	5.07%	0.84%	7.51%	2.65%	0.29%	1.89%
Capitalmind MF	10.19%	31.20%	8.67%	8.09%	0.00%	2.35%	0.00%	0.00%	0.00%	6.67%	0.00%	2.70%	2.75%	0.00%	1.49%
DSP MF	9.51%	29.72%	8.15%	7.43%	3.36%	6.32%	3.21%	5.61%	0.00%	6.49%	0.19%	10.65%	2.83%	0.86%	0.56%
Edelweiss MF	8.76%	30.63%	11.04%	9.15%	4.48%	7.39%	3.02%	4.98%	0.00%	4.87%	0.31%	8.56%	2.62%	0.74%	0.85%
Franklin Templeton MF	5.57%	27.47%	9.66%	6.22%	3.87%	10.06%	4.11%	7.02%	0.00%	8.11%	0.19%	7.45%	3.21%	0.53%	2.04%
Groww MF	11.07%	33.70%	12.39%	6.97%	0.62%	2.24%	4.26%	2.32%	0.00%	1.65%	0.00%	5.08%	1.66%	0.06%	1.56%
HDFC MF	11.26%	31.67%	6.33%	5.13%	3.58%	6.88%	2.42%	5.49%	0.26%	4.51%	0.11%	10.25%	2.76%	0.47%	3.23%
Helios MF	5.78%	35.84%	12.10%	0.91%	2.45%	9.71%	5.43%	0.60%	0.35%	9.16%	0.00%	6.56%	2.03%	1.66%	5.59%
HSBC MF	5.46%	29.90%	17.73%	6.06%	4.77%	9.02%	4.56%	3.74%	0.00%	4.42%	0.42%	5.35%	1.71%	1.98%	1.74%
ICICI Pru MF	8.96%	25.39%	6.08%	6.78%	4.50%	7.29%	5.06%	7.91%	0.21%	9.21%	0.99%	7.21%	2.60%	0.62%	2.39%
Invesco MF	5.55%	31.52%	9.53%	3.09%	1.03%	14.07%	5.87%	5.22%	0.00%	2.09%	0.53%	13.69%	1.16%	0.00%	4.79%
ITI MF	7.39%	30.64%	13.10%	8.90%	3.69%	6.76%	3.88%	3.84%	0.00%	4.44%	0.96%	10.80%	2.05%	0.77%	0.97%
JM Financial MF	8.33%	30.06%	9.88%	7.69%	4.97%	7.56%	3.27%	5.19%	0.09%	4.98%	0.00%	8.56%	2.82%	1.79%	2.63%
Kotak Mahindra MF	8.68%	26.55%	10.12%	11.67%	2.93%	8.29%	4.31%	6.10%	0.44%	5.70%	0.07%	8.37%	3.36%	0.17%	1.24%
LIC MF	10.09%	22.87%	18.42%	6.22%	6.45%	6.22%	3.59%	4.11%	0.16%	3.37%	0.27%	7.22%	2.43%	0.74%	2.47%
Mahindra Manulife MF	7.78%	27.58%	9.47%	8.51%	3.97%	6.32%	2.37%	5.31%	0.15%	6.57%	0.33%	10.26%	4.25%	1.11%	0.93%
Mirae Asset MF	7.93%	31.10%	3.95%	6.30%	4.52%	10.75%	4.30%	6.16%	0.00%	5.95%	0.18%	10.32%	3.65%	0.05%	3.60%
Motilal Oswal MF	5.28%	30.79%	16.91%	2.13%	0.81%	15.62%	2.79%	8.80%	0.00%	0.98%	3.95%	3.12%	4.75%	0.20%	0.56%
Navi MF	8.45%	36.05%	11.00%	3.92%	5.10%	4.31%	2.77%	5.50%	0.09%	4.80%	0.00%	7.08%	2.39%	0.39%	2.21%
Nippon India MF	7.13%	27.36%	11.87%	4.81%	6.11%	12.15%	2.71%	3.93%	0.28%	7.65%	0.57%	10.26%	0.92%	0.68%	1.73%
NJ MF	16.49%	25.51%	0.19%	4.39%	17.20%	3.48%	0.00%	11.38%	0.00%	3.42%	0.00%	11.05%	0.00%	2.39%	4.02%
Old Bridge MF	10.66%	17.17%	0.00%	16.75%	4.87%	1.30%	3.41%	0.00%	0.00%	0.00%	2.43%	13.10%	4.05%	0.00%	12.37%
PGIM India MF	8.40%	25.87%	10.48%	9.04%	3.98%	11.90%	2.95%	5.10%	0.00%	3.86%	0.00%	10.98%	2.71%	0.13%	1.63%
PPFAS MF	7.29%	26.38%	0.03%	0.02%	6.29%	1.90%	0.01%	11.43%	0.00%	12.15%	0.00%	4.19%	3.01%	0.00%	4.30%
Quant MF	6.26%	23.90%	3.36%	8.49%	4.42%	2.82%	7.25%	1.62%	1.51%	15.76%	-0.84%	11.28%	1.87%	1.75%	0.53%
Quantum MF	10.62%	39.10%	1.82%	3.91%	0.94%	5.34%	0.95%	13.56%	0.19%	3.78%	0.57%	5.16%	2.46%	0.00%	4.78%
Samco MF	12.69%	38.29%	16.53%	11.68%	2.74%	2.64%	0.93%	1.54%	0.00%	2.51%	1.32%	5.49%	0.56%	0.02%	1.19%
SBI MF	8.12%	27.32%	6.55%	7.84%	4.77%	8.15%	3.02%	4.56%	0.08%	9.92%	1.26%	6.15%	2.51%	1.09%	1.70%
Shriram MF	11.06%	35.73%	3.41%	2.53%	2.04%	4.05%	1.79%	8.70%	0.25%	8.80%	0.00%	9.97%	4.51%	0.00%	5.60%
Sundaram MF	7.09%	29.06%	8.85%	5.43%	5.33%	9.97%	3.70%	5.73%	0.18%	6.59%	0.34%	7.61%	3.95%	0.11%	2.37%
Tata MF	5.42%	24.28%	7.52%	8.60%	4.91%	6.46%	3.34%	12.59%	0.23%	6.85%	0.89%	6.56%	3.09%	0.51%	2.91%
Taurus MF	8.64%	19.50%	6.42%	7.58%	8.89%	4.11%	1.27%	8.43%	0.20%	12.78%	0.00%	11.16%	4.50%	0.85%	0.93%
The Wealth Company MF	12.29%	36.23%	10.21%	5.32%	0.69%	4.40%	6.49%	6.20%	0.00%	5.90%	0.00%	2.77%	2.76%	0.00%	0.18%
Trust MF	9.92%	28.58%	16.67%	7.08%	1.58%	6.51%	2.56%	3.42%	0.00%	2.52%	0.00%	9.09%	1.21%	2.29%	2.62%
Unifi MF	7.04%	32.24%	4.16%	7.29%	2.57%	0.95%	4.14%	6.93%	0.00%	6.82%	1.12%	10.73%	5.36%	1.98%	4.14%
Union MF	9.50%	29.73%	13.40%	8.14%	3.52%	8.11%	3.88%	5.07%	0.23%	3.71%	0.00%	8.04%	2.49%	0.58%	0.99%
UTI MF	10.71%	26.43%	6.47%	5.10%	3.82%	13.80%	2.87%	8.09%	0.24%	4.89%	0.47%	9.07%	2.83%	0.35%	1.81%
WhiteOak Capital MF	6.12%	31.16%	9.35%	5.07%	3.87%	8.87%	2.08%	6.23%	0.01%	3.47%	1.73%	11.78%	3.36%	0.03%	1.59%

Data as on 28th February, 2026

Source : ICRA Analytics Limited

Trump's epilogue on War: Fund Manager Perspective

- By early 2026, Donald Trump framed the West Asia conflict as a “war won” by America, boasting that US strikes had crippled Iran’s military capacity and severed key links in its regional network of proxies. He paired this with a risky mix of maximum-pressure diplomacy and unilateral military action, offering Iran a 15-point plan that demanded full nuclear rollback, limits on missiles, and open access to the Strait of Hormuz, even as he deployed additional US troops to the region.
- Trump declared that the main phase of the war could end in weeks, with or without a formal Iranian signature, shifting the onus for Gulf security onto regional partners and allies.
- Yet, Tehran rejected his proposals as “theatre”, insisting on recognition of its sovereignty, compensation for damages, and iron-clad guarantees against future attacks, leaving any future peace deal highly fragile and conditional.
- In retrospect, his approach has deepened rifts with some European allies who saw Washington as less predictable, even as he pushed hard for deals with both Iran and Israel–Gaza-related actors under a broader “Trump doctrine” in the Middle East.
- For many, the West Asia war epilogue under Trump reads less like a clean resolution and more like a tense, unstable pause—where the battlefield calm he claims to have delivered rests on the uneasy balance between American power and Iran’s enduring regional influence.
- If war ramps down, given existing valuations, markets can bounce back in the near-term.

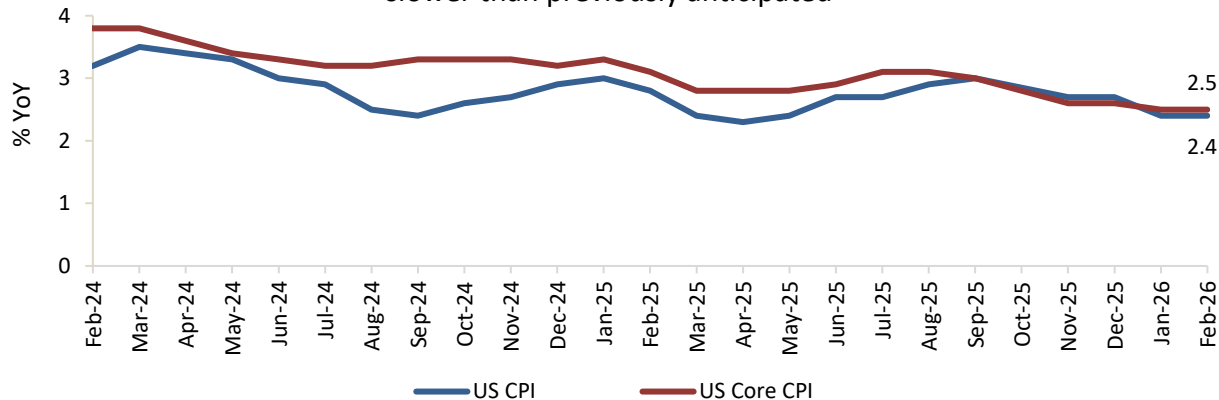
Fixed Income Market

Fixed Income Outlook and Strategy – April 2026

- RBI's likely intervention and tighter forex derivative rules has been supportive of currency. Going forward, if the pressure on Current Account Deficit (CAD) mounts, RBI may have limited space to intervene in the forex market.
- Under the new series, the CPI inflation for February 2026 accelerated further, but it was still benign in absolute rise terms. The persistence of ongoing geopolitical tensions is putting significant upward pressure on domestic inflation and will continue to remain a key monitorable.
- The sharp rise in crude prices and continuous FPI outflows affected the rupee and raised concerns over the current account, impacting the overall external sector. Worries have mounted regarding the RBI's large dollar short positions as well. If geopolitical issues get resolved or deescalate and crude price concerns reduce, the situation may turn back favourably.
- The growth-inflation dynamics are witnessing significant adverse pressure on both sides due to the ongoing geopolitical conflict. Although the inflation has remained benign, the persistence of high crude prices can push inflation upward and growth numbers downward. This will make the Central Bank's policy making decision much trickier and more nuanced. RBI is expected to remain growth supportive but may have limited headroom for immediate policy easing.
- Within commodities, crude faced significant upward pressure due to closure of the Strait of Hormuz and attacks on multiple infrastructures. Metal index also remained range bound amidst growth concerns. Going forward, the longevity and severity of the geopolitical tensions is likely to decide further price movement. However, in absence of significant de-escalation, prices may continue to move around the upper band of the range.
- In the US, inflation and job data came under pressure. The market is now pricing in fewer rate cuts in CY26. However, the extent and resultant impact of the war on energy prices and in turn inflation is likely to decide the Fed's future course of action. Initial direction announcement from Fed chair nominee Kevin Warsh will remain another key monitorable.
- High imported energy dependence ensured Europe was hit by energy shock due to current blockade of strait of Hormuz. While the current inflation data has been benign, the ECB is expected to remain data dependant for policy making purposes to navigate through any adverse impact on inflation and growth.
- During the month, we saw major Central Banks taking a pause on policy rates amidst elevated uncertainties due to the Middle East conflict. Going forward, we expect most Central Banks holding policy rates and may even look at preponing the rate hiking cycle in case the uncertainties persist.
- The recent excise duty cut by the Government is expected to put further strain on Government finances. This is expected to push deficit numbers higher than earlier estimated and keep medium to longer end G-sec yields volatile in the near term. This may get offset by the lower supply of long end G-secs as per RBI's latest borrowing calendar.
- The Corporate bond yield curve again become marginally inverted due to year end demand for liquidity which imparted upward pressure on short term yields. Going forward, yields may soften from recent peaks at the shorter end as government spending comes back and SDL demand ebbs.
- Thus, at this juncture, with lucrative yields, a case continues to exist for investment into Corporate Bonds that are at the 1-4-year segment of the curve. Hence, investors can look at Corporate Bond Funds and Banking & PSU Debt Funds for a horizon of 15 months and above.
- For a horizon of 24 months and above, investors may consider Income Plus Arbitrage FoFs or consider Dynamic Bond Funds for tactical opportunity.
- As yields in the less than 1-year segment remain high for corporates, for a horizon of 3 months and above, investors can consider Money Market Funds .
- Whereas for a horizon of up to 3 months, investors can consider Overnight Funds and Liquid Funds.
- Investors should invest in line with their risk profile and product suitability.

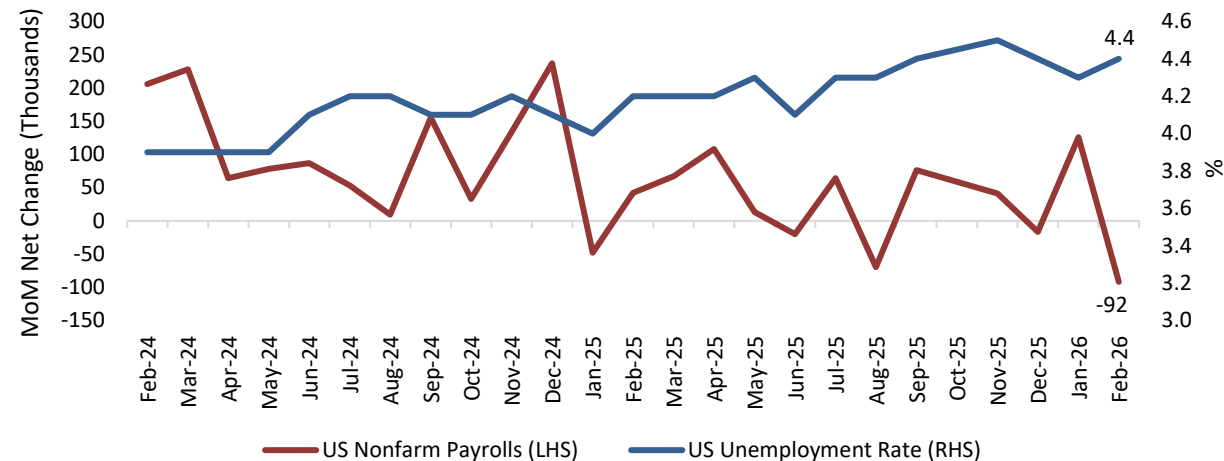
US: Increased uncertainty due to geopolitical escalation has resulted in market expectations pivoting towards higher inflation and only one rate cut for CY26

Though inflation in February held steady, future projections have been revised upward, suggesting the progress toward the Fed's 2% target may be slower than previously anticipated



Source: Bloomberg

Labor market showed a marginal bearish tone



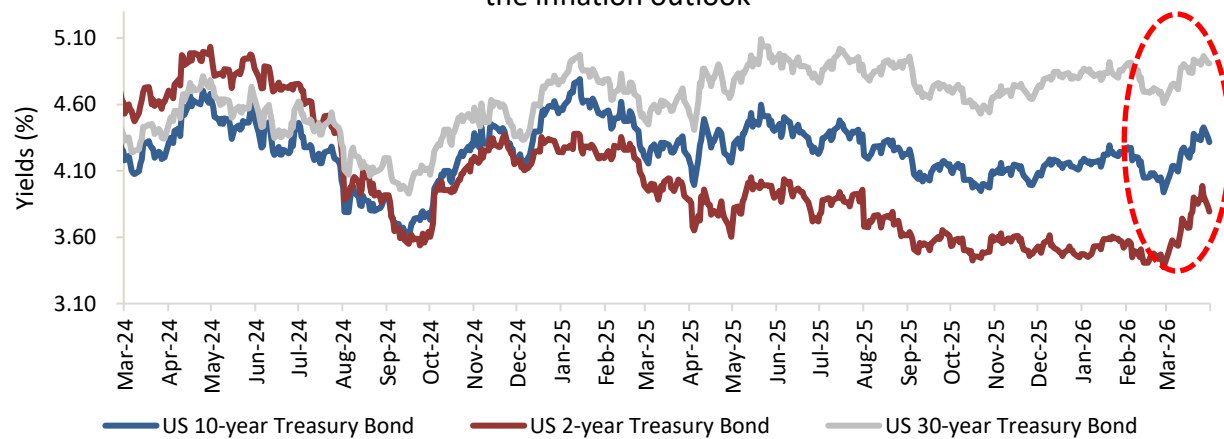
Source: Bloomberg

Fed held on to rates amidst growing uncertainty about how inflation and economic growth will evolve in the coming quarters



Source: Bloomberg

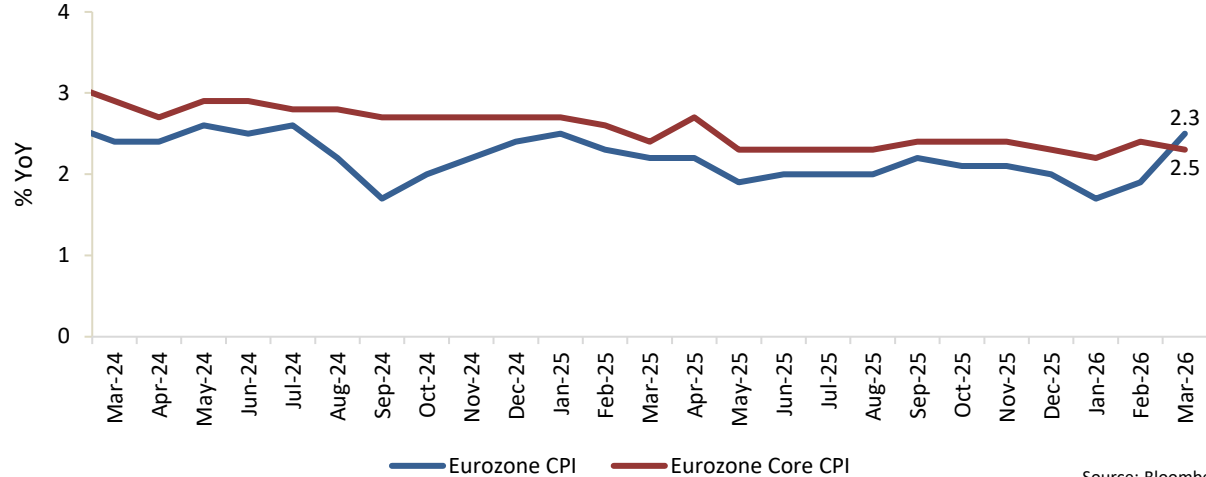
US treasury yields surged across the curve amidst energy led pressure on the inflation outlook



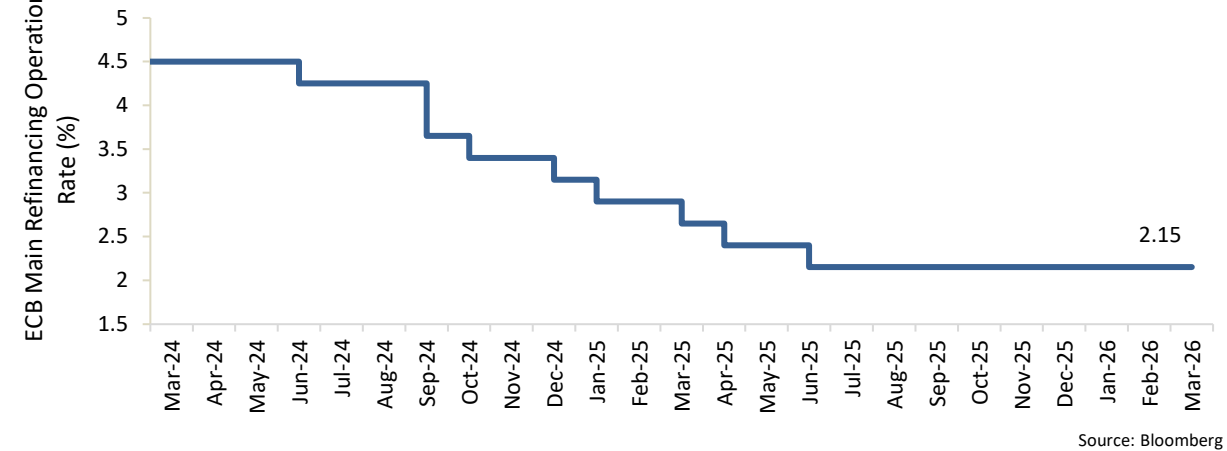
Source: Bloomberg

EU: Was on trend to deliver reasonable growth at lower inflation, but has been hit by the recent energy shock

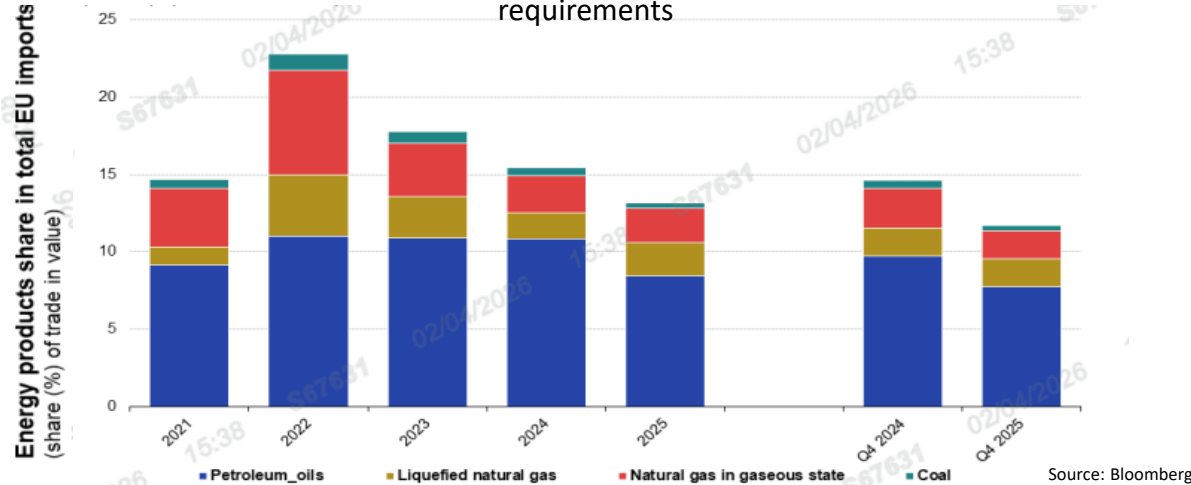
Headline inflation undershot the 2% target despite sticky service inflation



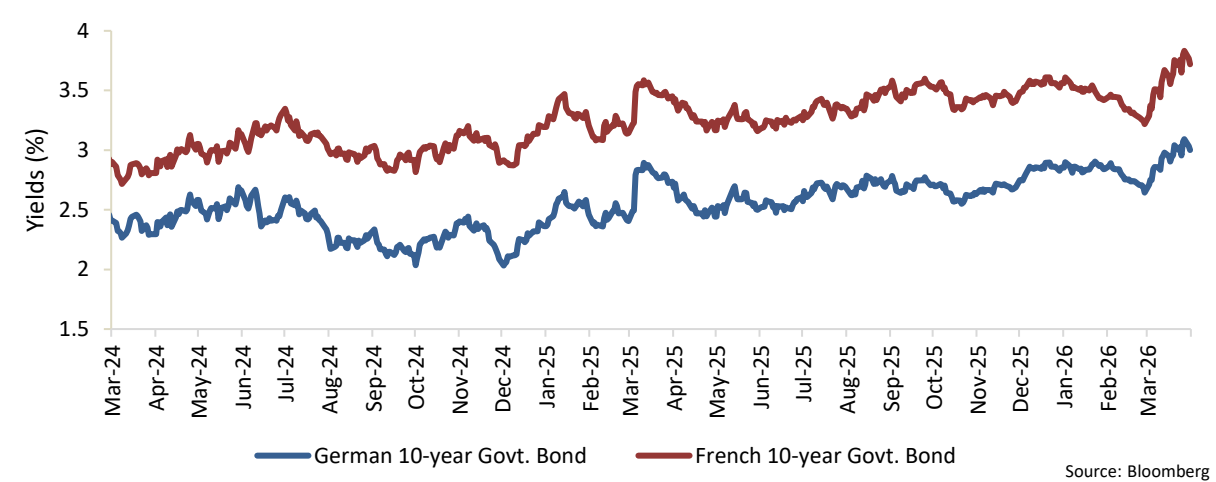
ECB continues to remain data-dependent amidst the Middle East conflict as they evaluate its probable adverse effect on inflation and growth



Despite their dependence coming down, EU still has to import a large part of their energy requirements

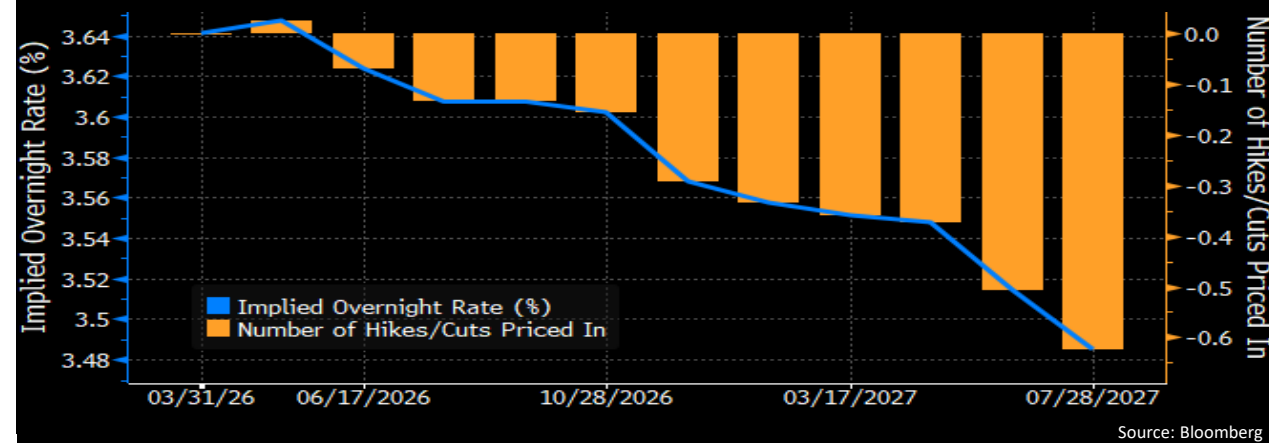


Elevated energy prices and risks on inflation has pushed bond yields higher



Market participants expect the Fed to cut rates only once this year amidst fresh projections... The ECB highlighted a significantly uncertain outlook while continuing to remain data dependant..

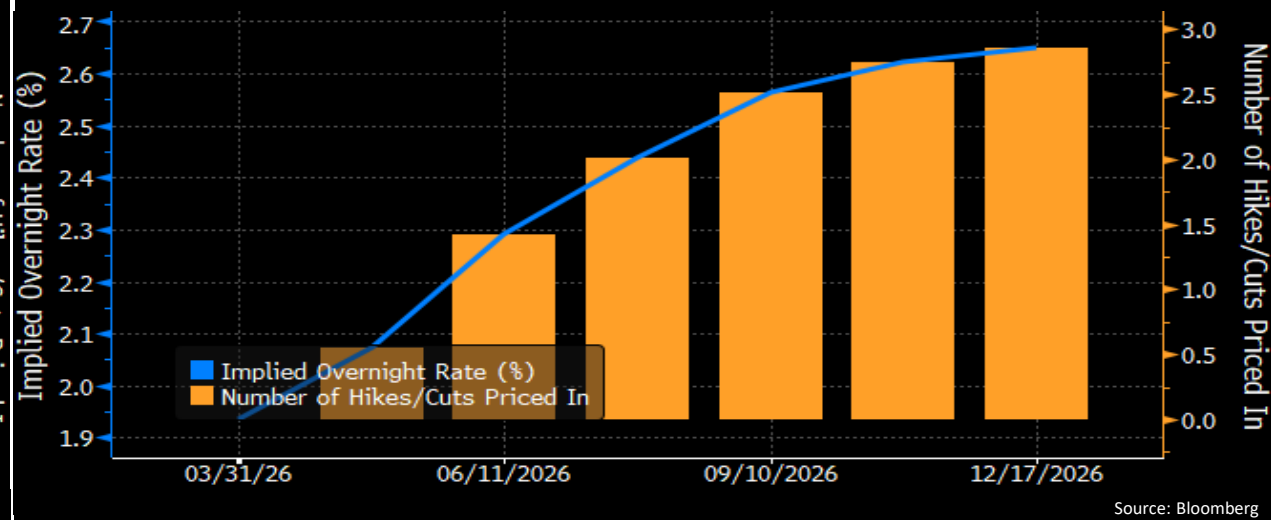
Amidst uncertainty brought in by the Middle East conflict, views vary widely on the pace and timing of future policy easing by the Fed... Initial direction taken by Kevin Warsh (who is highly likely to become Fed Chairman) will be important..



"...The latest of these developments has been the current conflict in the Middle East, which has affected both oil production and transportation in much of the region, driving up energy prices and affecting other commodities as well. If the conflict were to end soon, it is possible its effects on inflation and economic activity could be limited. But if it continues for some time, the spike in energy prices and other commodities could have broader implications for both prices and economic activity.... We need to be especially vigilant. Uncertainty about how these developments will unfold is just one of the reasons why I thought it necessary to hold policy steady at least week's FOMC meeting..."

- **US Federal Reserve Governor Michael S. Barr**
At the Brookings Institution, Washington, D.C.

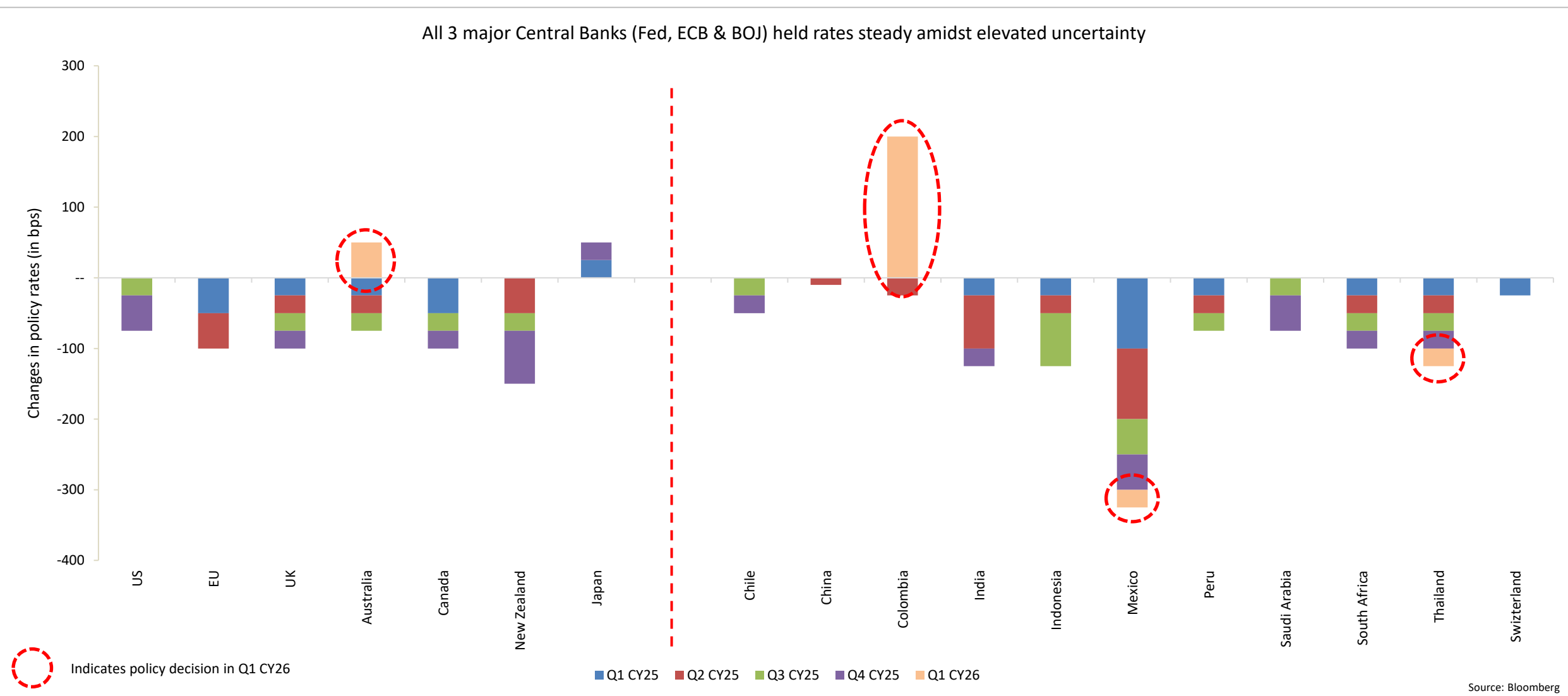
ECB to monitor and assess the effect of war on inflation and growth



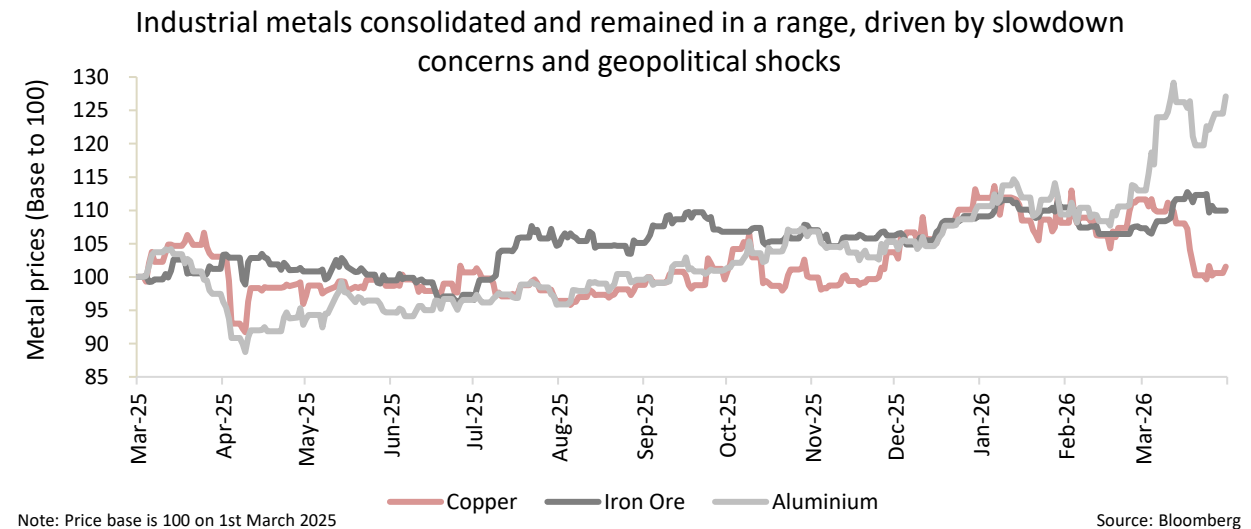
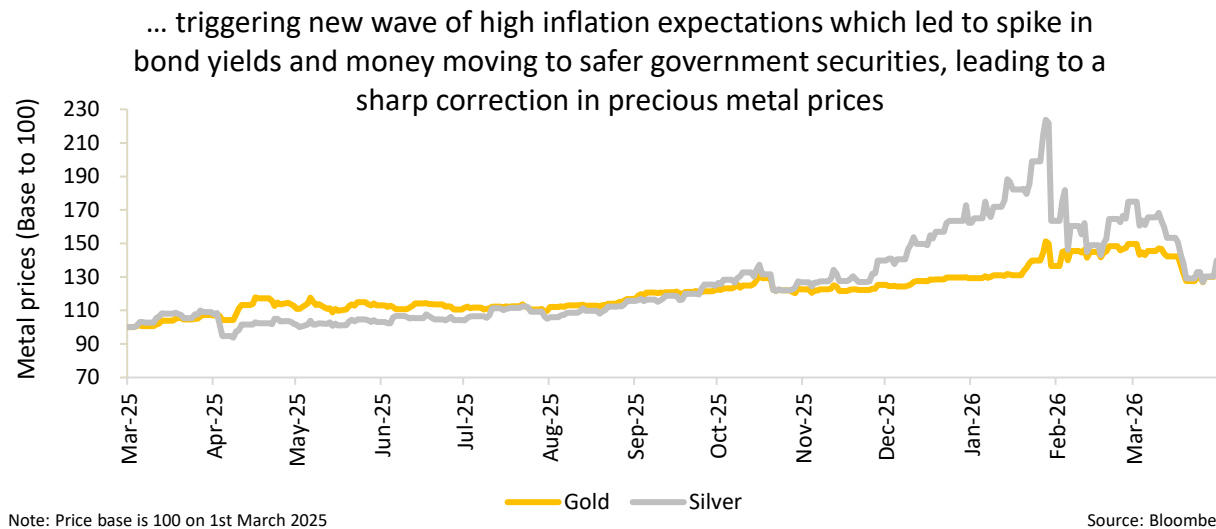
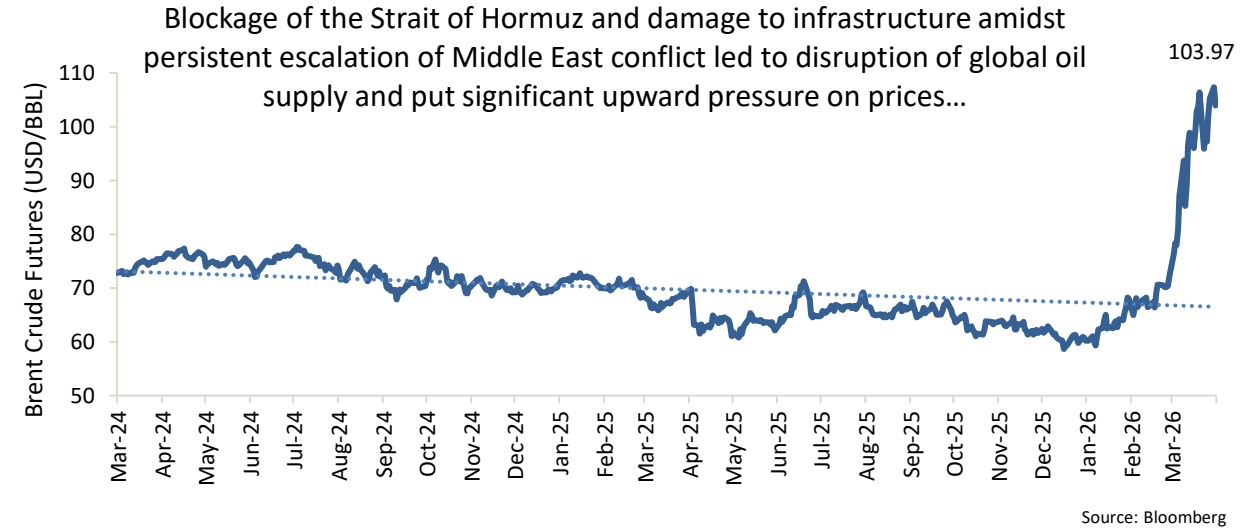
"In line with our monetary policy strategy commitment to incorporate risks and uncertainty into our decision-making, staff also assessed how the war in the Middle East could affect economic growth and inflation under some alternative illustrative scenarios... The scenario analysis suggests that a prolonged disruption in the supply of oil and gas would result in inflation being above, and growth being below, the baseline projections. The implications for medium-term inflation depend crucially on the magnitude of indirect and second-round effects of a stronger and more persistent energy shock."

- **Christine Lagarde, President of the ECB**
Combined monetary policy decisions and statement

While the recent spike in crude prices is negative for inflation, Central Banks may look through the same in case they come off soon

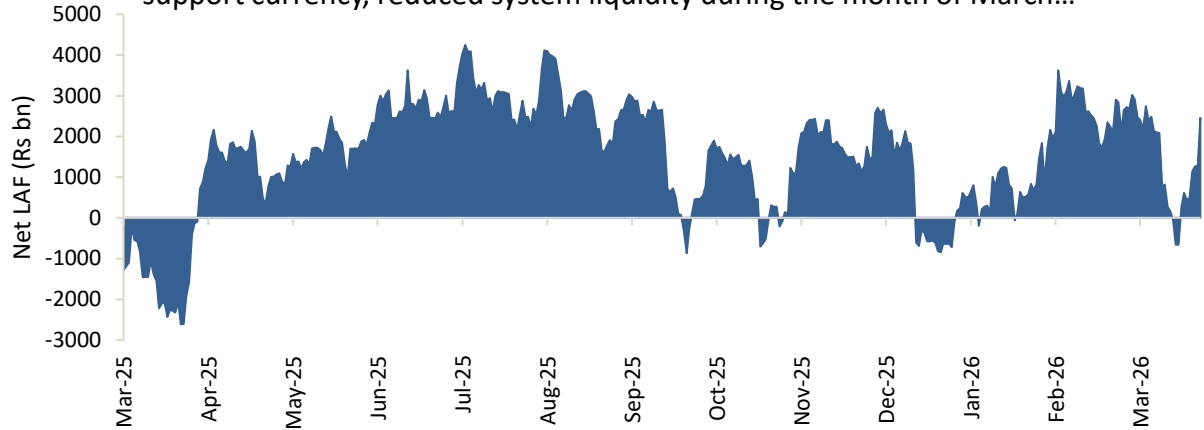


Global Commodities – Escalation of Geopolitical tensions in the Middle East and resultant supply shocks pushed global commodity prices higher



Weakening of currency and year end tax related outflows have affected system liquidity... If the crude issue dissipates, it may turn around quickly

Advance Tax and GST outflows, coupled with likely RBI intervention to support currency, reduced system liquidity during the month of March...

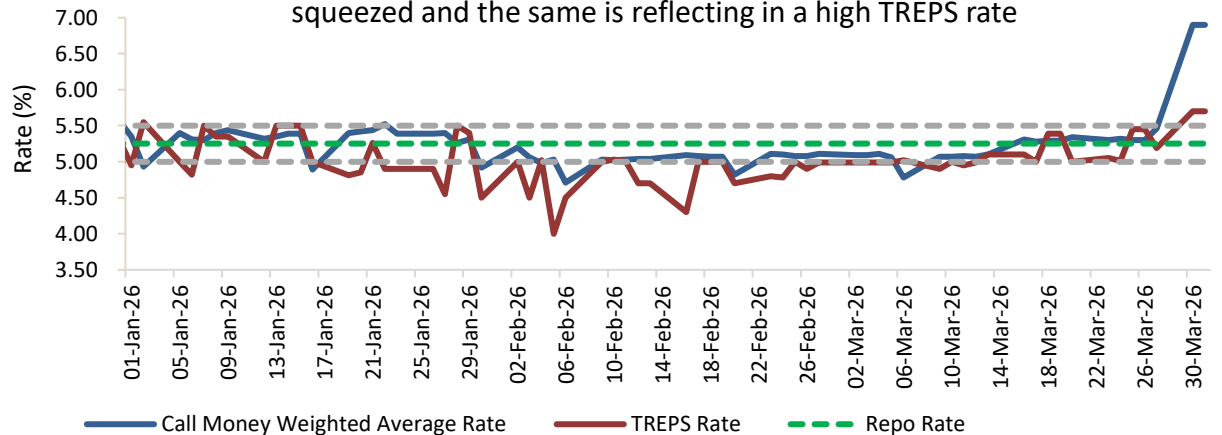


... RBI conducted further OMO operations and restarted VRR to support the same

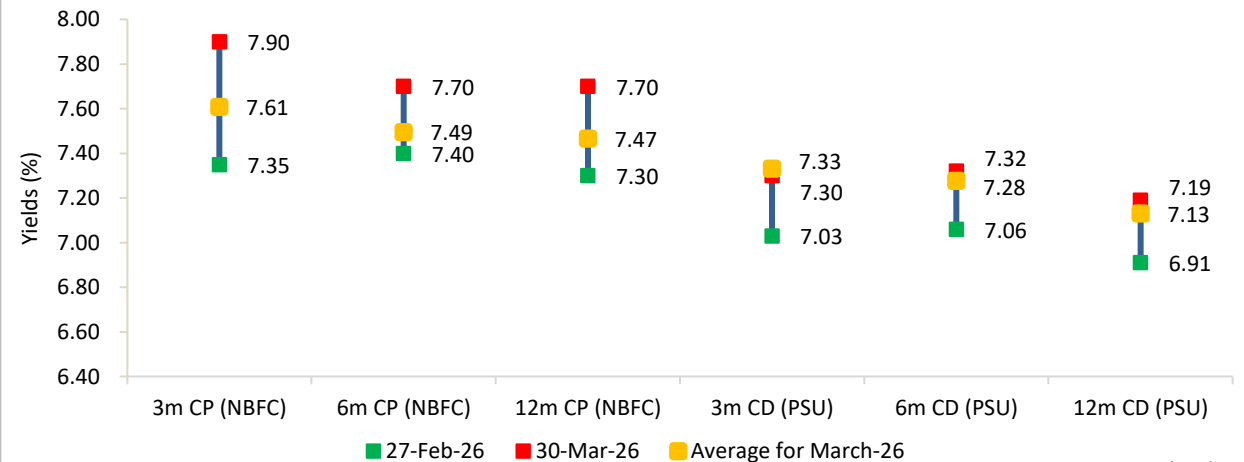
Particulars	Date	Amount (Bn)	Tenor
Open Market Operation (OMO)	09-Mar-26	500	-
	30-Mar-26	500	-
Variable Rate Repo (VRR)	17-Mar-26	1500	7 days
	20-Mar-26	750	3 days
	24-Mar-26	1000	1 day
	24-Mar-26	1000	3 days
	27-Mar-26	750	6 days
	30-Mar-26	500	3 days
	30-Mar-26	500	3 days
Total		7,000	

Source: RBI

During a majority of Q4 FY26, TREPS were lower due to adequate liquidity conditions. However, due to energy shocks of late, liquidity has been squeezed and the same is reflecting in a high TREPS rate

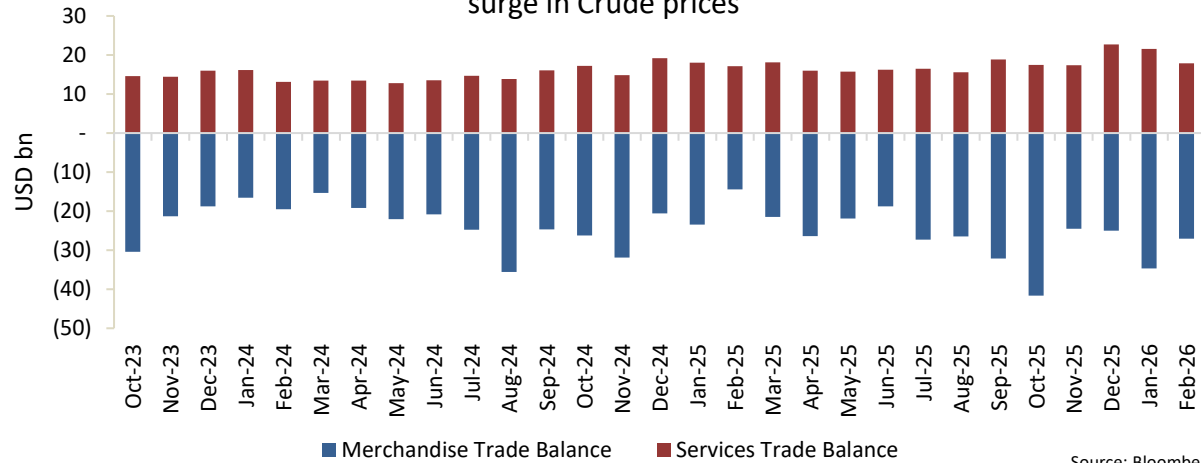


Due to tight liquidity conditions, CDs and CPs saw a spike in yields

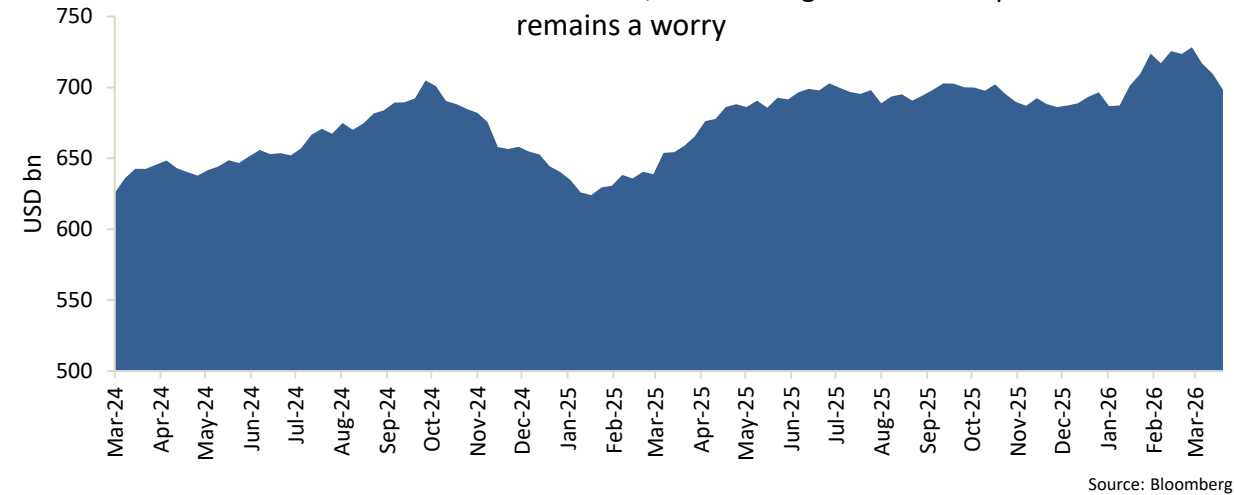


To smoothen the INR depreciation arising from external shocks, the RBI intervened in the forex market, but their ability to keep doing so is likely to be limited given the expectations of higher Current Account Deficit (CAD) due to rising oil prices

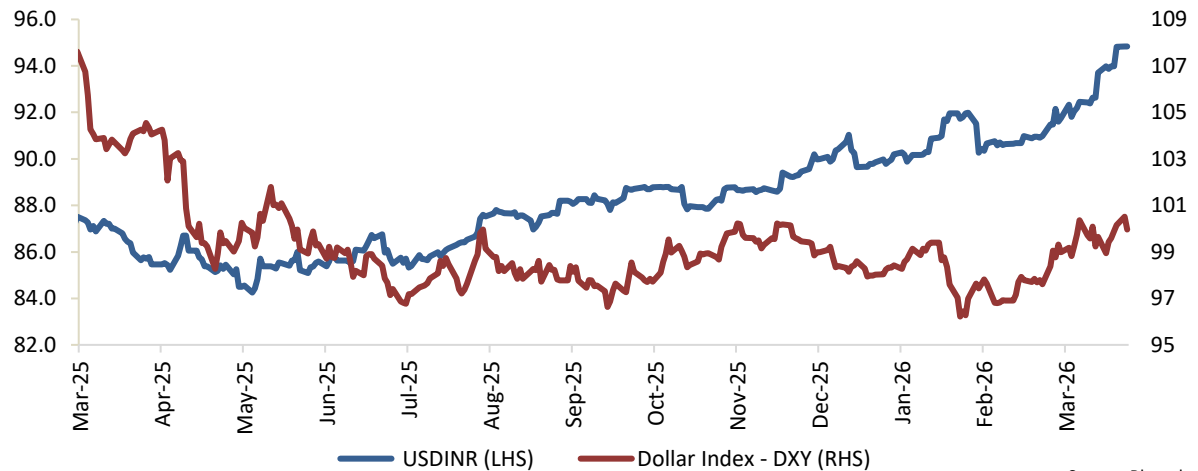
February trade deficit remained low but can see spike up in March due to surge in Crude prices



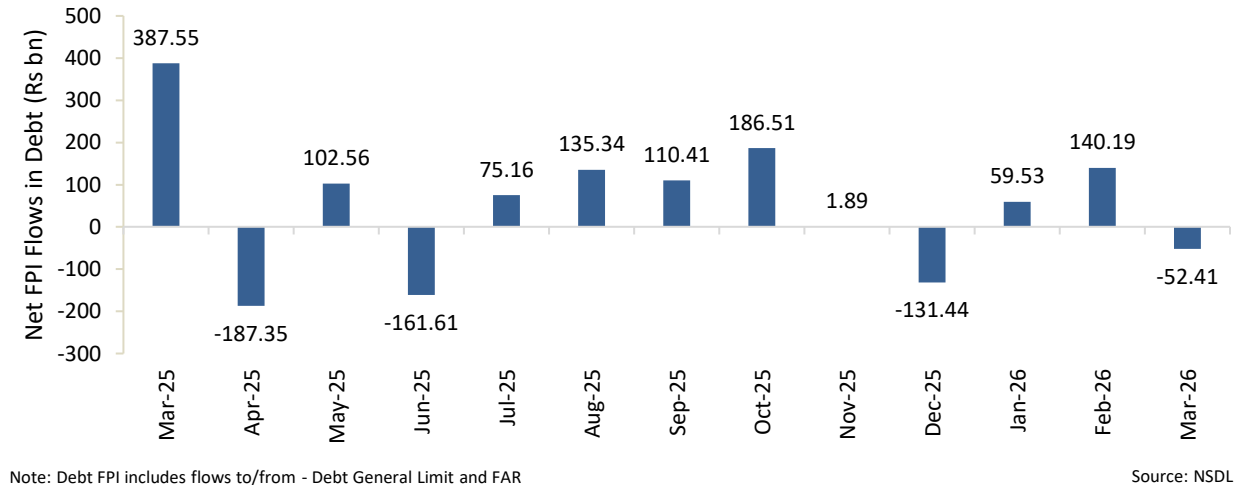
Forex Reserves continue remain robust, but RBI's significant short position remains a worry



External shocks pushed the INR to an all time low against USD



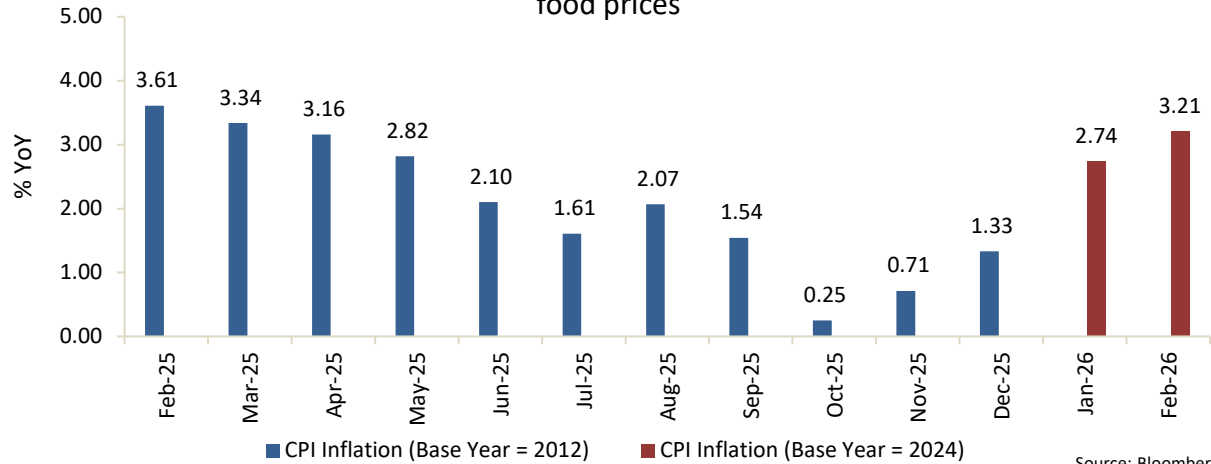
Debt FPI flows have turned negative



Note: Debt FPI includes flows to/from - Debt General Limit and FAR

Inflation remained under RBI's medium-term target of 4% for the 2nd time under the new series and 13th consecutive time overall... However, imported inflation due to surge in energy prices may put significant upward pressure

Inflation saw further uptick under the new series on the back of elevated food prices



Impact on Inflation

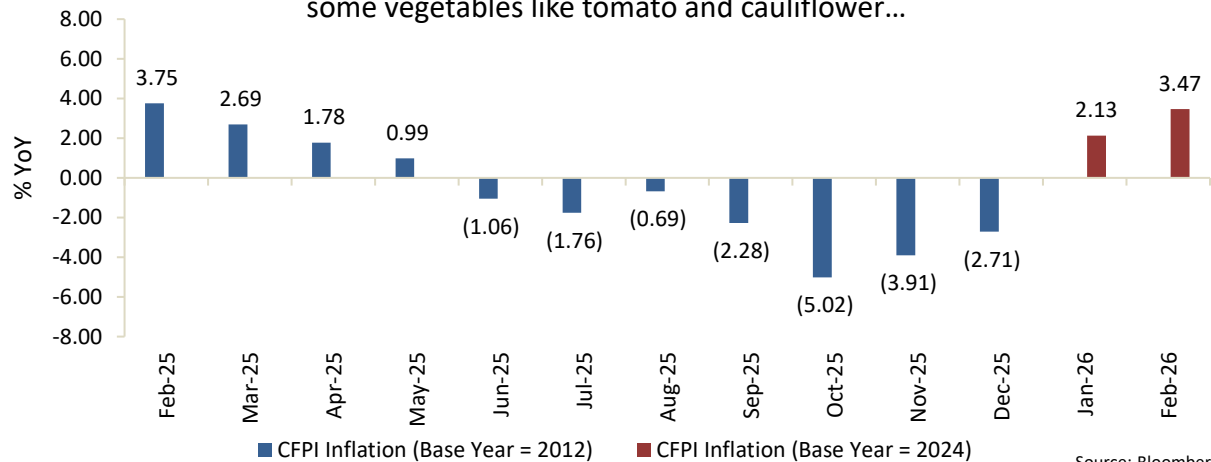
At the retail level, for every 10% increase in crude oil, with complete pass-through to petrol and diesel prices, the direct impact on inflation is estimated at ~50 bps.

10% increase in prices Impact on CPI (in bps)	
Petrol	44.9
Diesel	3.2
LPG	19.8
Gold	6.2
Silver	3.1
Kerosene	0.1
CNG	0.4

Products	Weight(%)
Petrol	4.49
Diesel	0.32
LPG	1.98
Kerosene	0.01
CNG	0.04
Total	6.84

Source: MoSPI, HDFC Bank Treasury Research

Food inflation saw significant acceleration, driven by a spike in prices of some vegetables like tomato and cauliflower...



... However, recent news articles suggest a sharp correction in vegetable prices

Vegetable prices crash up to 80% since January, deepening farm distress

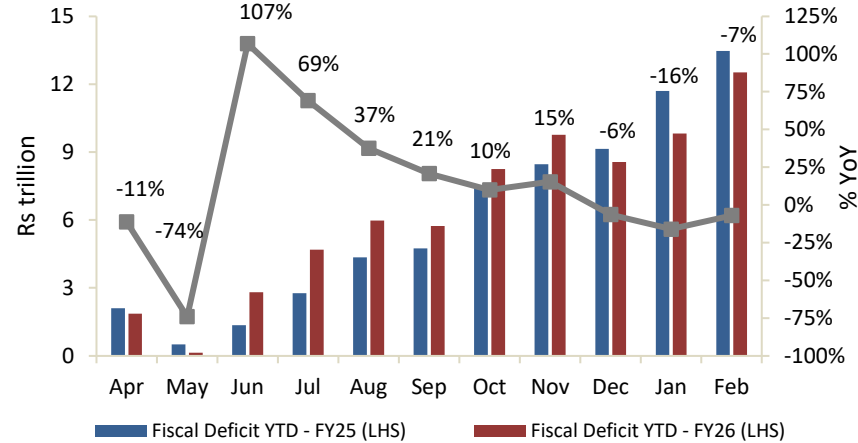
Synopsis

Vegetable prices have fallen sharply since January. Potatoes are down 40 percent, onions 50 percent, and tomatoes up to 80 percent. This is due to a supply glut and peak harvest arrivals. Staples like wheat and rice have also eased. Farmers face distress as prices are below cost. Consumers are getting relief from inflationary pressures.

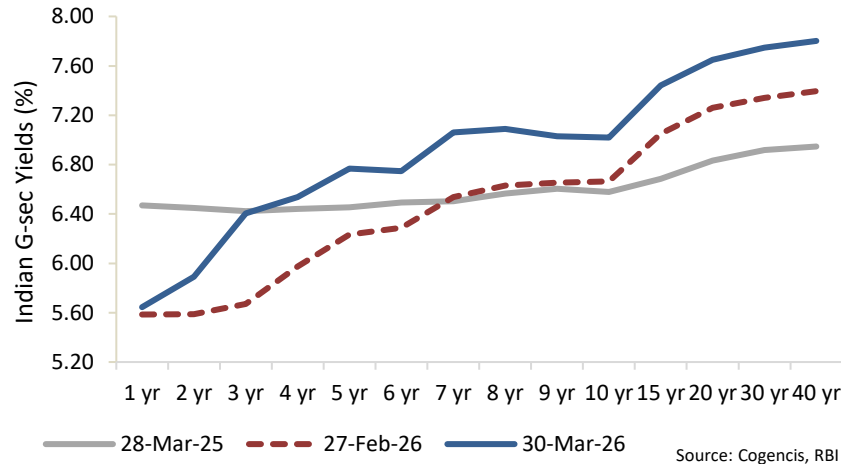
Source: Media reports

Rising crude prices leads to a spike in G-sec yields as market factors in medium term impact on Government finances...

Fiscal Deficit continues to remain contained



G-sec Yield Curve saw significant elevation

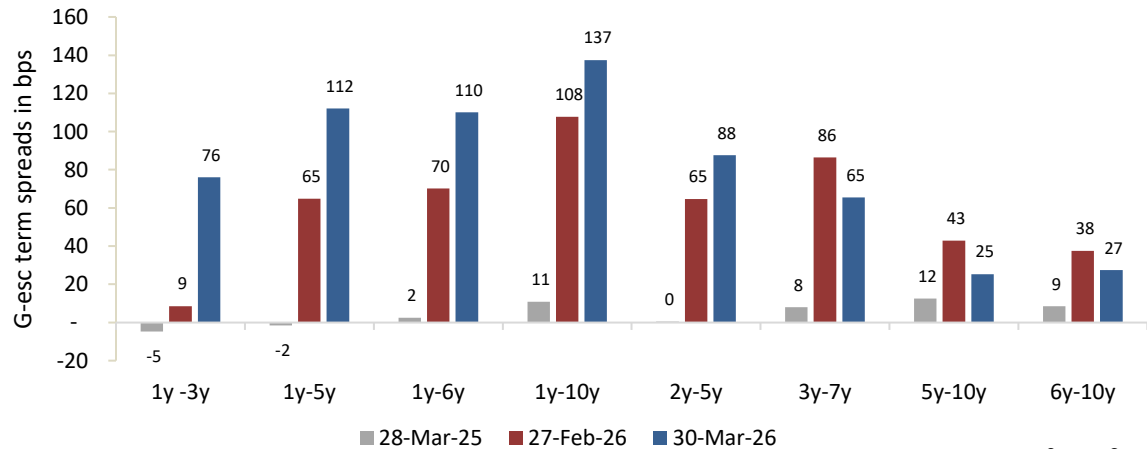


Fiscal Deficit (As per the budget)

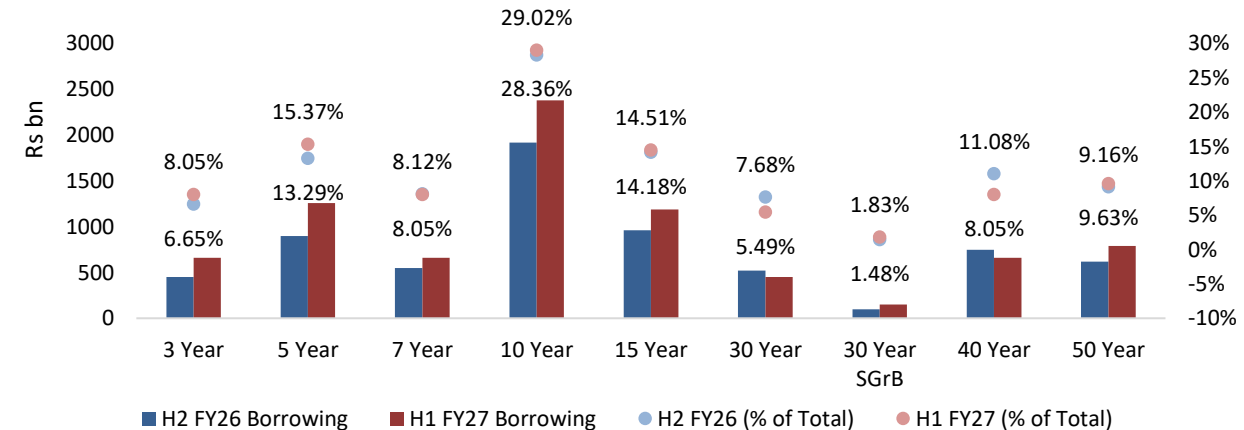
in Rs Trillion	16.96
as % of GDP	4.30%
Pressure Points (in Rs Trillions)	
New GDP series	05-0.55
Revenue loss due to excise duty cut	1.5-1.8
fertiliser subsidy	0.8
LPG under-recovery relief of OMOs	0.8
Supports (in Rs Trillions)	
Windfall tax on diesel & ATF	0.95
Economic Stabilisation Fund	1.5
Upside in taxes due to higher nominal GDP	0.2
Net Impact on fiscal	
in Rs Trillions	0.95-1.3
as % of GDP	25-35 bps

Source: HDFC Treasury Research Desk

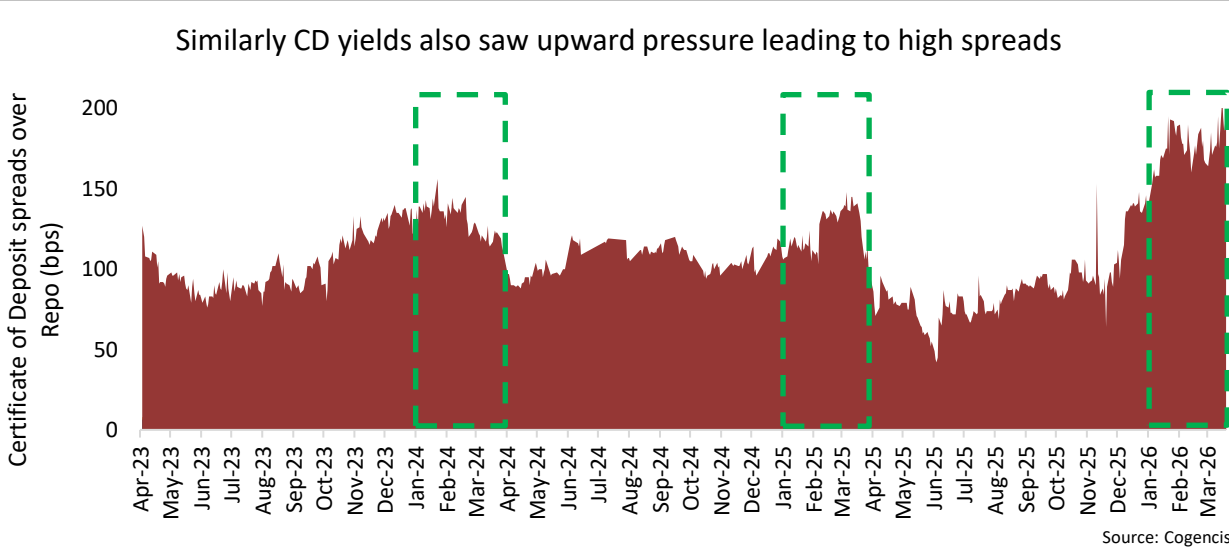
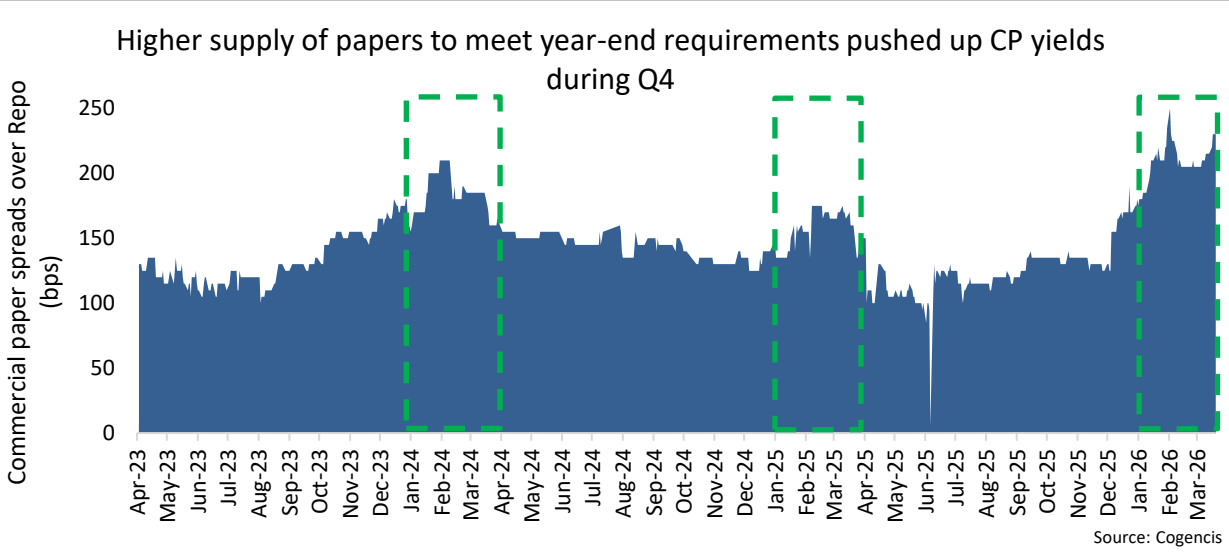
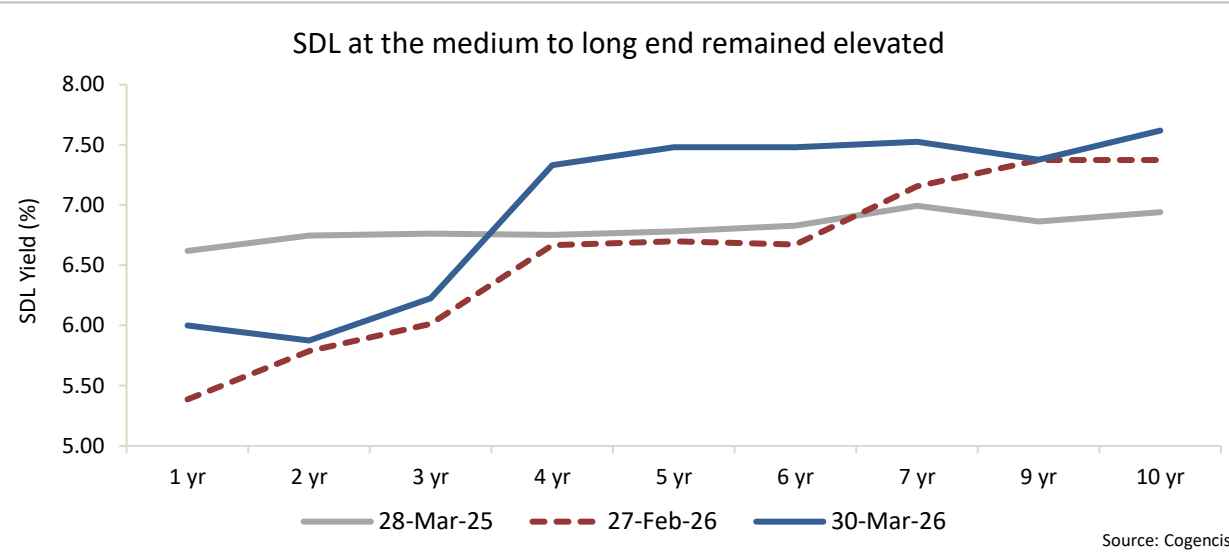
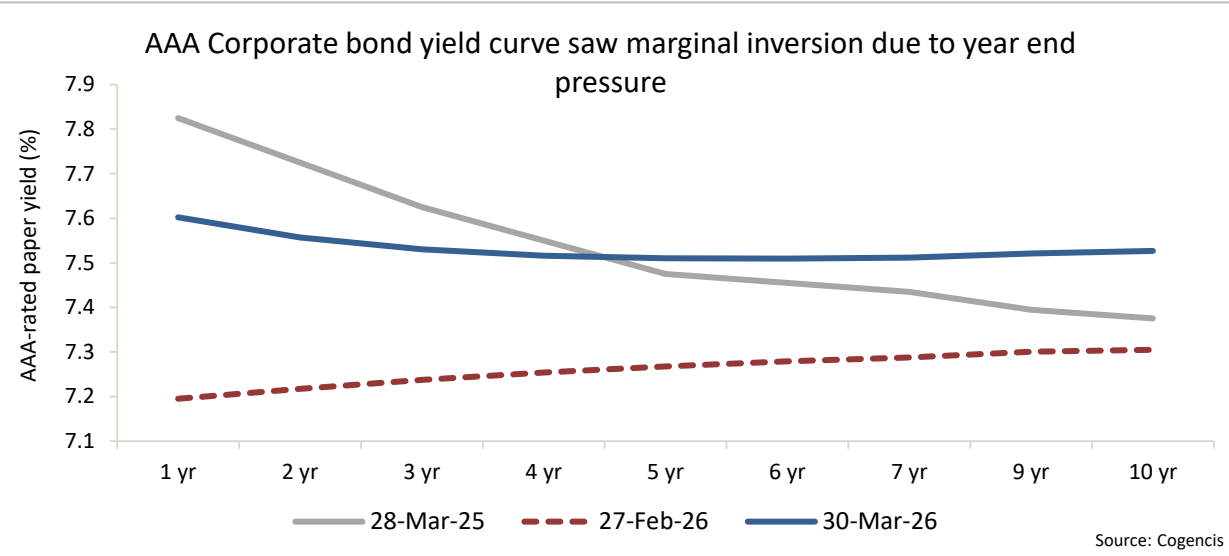
G-sec Term Spreads widened at the short to medium end



RBI's borrowing calendar saw higher allocation to less than 15 years in H1FY27 compared to H2FY26



... putting upward pressure on Corporate bond yields which remain elevated as risk premiums also rose due to geopolitical uncertainty



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