

HDFC Bank – Research Presentation

December 2025

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	
	Dec-25	Nov-25
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	
	Dec-25	Nov-25
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 – December 2025
- US: Growth Remains Stable despite higher tariffs; rising unemployment may push Fed to cut further... positive for risk assets
- Europe: Growth modest, green shoots visible
- China: Though recent growth was robust, cracks visible on exports... Domestic revival needed
- Commodities: Remain weak, positive for inflation
- Emerging Markets: Story of resilience and relative value
- Q2 FY26 GDP at 8.2% YoY beats the expectations... though Nominal GDP at 8.7% is a cause of concern
- Large and Midcaps outperformed while Small caps underperformed on the back of earnings and valuations concern... Robust GDP growth, better earnings and anticipation of trade deal with the US led to overall positive market sentiments
- Sectoral performance and FPI flows in November 2025
- India Macros: Remain stable...
- Urban Economy: GST boost is evident
- Rural Economy: Rural demand remains strong
- Q2 FY26 Results: Reasonable in aggregate, some stock specific disappointment in small caps
- India: Valuations on path of normalisation vs peers
- Valuation's normalising... broad based earnings growth needed
- Investment in mutual fund continues to support the market as selling by FPI have been absorbed by DII
- Market Roundup – November 2025
- Key concerns for Indian equities
- Annexure...
- Sectoral outlook by Fund Managers – Part 1
- Sectoral outlook by fund managers – Part 2
- Sectoral Movement
- While sectoral valuations have improved vs. long term averages, earnings growth trajectory has weakened in many cases
- AMC Sectoral Holdings
- US trade tariffs by Country... With punitive tariffs, India's position weak vs. peers
- Fixed Income MF Outlook and Strategy – December 2025
- US – Fed's December Monetary policy outcome is expected to be dovish with probable rate cut in sight
- EU – Economic resilience starting to show... ECB may remain on pause mode
- Weakening job market pushing Fed towards rate easing, whereas ECB may remain on pause citing domestic resilience
- Global central banks have been on the policy easing path to spruce up their economies amidst geopolitical uncertainties
- Global Commodities – Prices remain under check... positive for inflation
- System liquidity remains in surplus amidst pressure from higher Currency in Circulation and RBI intervention in the forex market
- External sector faced challenges in the absence of a trade deal announcement with the US
- Headline inflation came in at a record low on the back of deflationary food prices, opening up space for the RBI to ease policy rates further
- Higher Q2 GDP print has created uncertainty around December policy outcome which, together with higher YTD Fiscal deficit, pushed up both G-sec yields and term spreads
- Corporate bond demand was muted, keeping spreads higher across tenors... SDL spreads also continue to remain lucrative... thus providing a attractive accrual opportunity
- Disclaimer

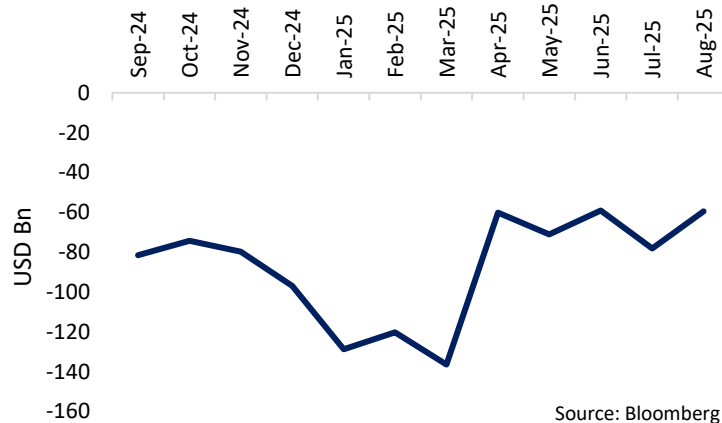
Equity MF Outlook and Strategy – December 2025

- US has seen growth stabilising, despite expectations of recession-like conditions. With higher tariffs getting implemented, the US trade deficits have improved and the federal government's revenues have seen robust growth. With inflation easing towards its 2% target and a weak labour market, the Fed is likely to continue on its policy easing path, albeit cautiously. AI and semiconductor capex has supported investment and productivity, resulting in a strong equity market rally in the US. Key risk- High fiscal deficit.
- Eurozone GDP growth is expected at a modest 1%–1.3% YoY over the medium-term, with moderating inflation and cautious ECB policy persisting. A gradual recovery aided by **defence/energy-transition capex** and a still-firm labour market to drive the upcycle in the economy; **geopolitics** (Russia) stays the principal overhang.
- Chinese growth is expected to stabilize at ~4% in CY26, aided by fiscal stimulus and credit support. Their focus is on manufacturing self-reliance, export diversification, property stabilization. While the high frequency indicators suggest reasonable uptick and consumer confidence is also showing signs of pickup, the recent decline in the exports remains a key monitorable. Their high private leverage could hurt the economy, if the exports weaken.
- Base commodity prices have remained rangebound and food prices continue to come off. With crude oil prices remaining low, logistics (container freights) costs coming off and renewable energy availability improving strongly, global inflation could remain subdued in the medium-term.
- Emerging market (EM) equities have done well as EM growth outpaces Developed Markets (DM), with stronger fiscal buffers and reform momentum. Many EMs trade at a discount to DMs and are being used by investors for strategic diversification and growth; in a scenario of weakening Dollar index.
- **Multilateral agencies like IMF, OECD, World bank have continued to remain positive on the Indian economy and have upgraded their GDP growth estimates. Q2 FY26 real GDP surged to 8.2% YoY (six-quarter high); H1 FY26 at 8.0%—driven by strong manufacturing/services and favourable deflators. This is a large upside surprise to consensus and RBI's prior projections. The only issue remains the weak nominal growth, that suggests general absence of pricing power. In a scenario of high real rates, the focus is on the RBI to further drive liquidity improving measures in the economy.**
- At the macro level, the PMI data for both manufacturing and services remain very robust. The GST reform booster by the government is also likely to add to the overall improvement in the consumer sentiment in the economy. However, the continued overhang of tariffs being announced by the US has created uncertainty in the equity markets. Indicators like Banking sector credit growth have also started to see sustained uptick.
- **Urban demand** has likely seen a strong bump up in the festive season given the rationalisation in GST rates. As per the Finance Minister, the GST rate cuts have acted as a big booster for urban consumption. GST cuts are likely to add ~Rs 1.9 trillion to disposable income. That, along with ~Rs 1 trillion in income tax benefits and the future implementation of the 8th Pay Commission, could drive urban consumption over the medium-to-long term. Services exports, which is a proxy to urban income, has seen sustained growth. The ongoing marriage season is also likely to push consumption demand in the urban economy. Pricing power returning to corporates would be the key to improving profitability in this segment.
- **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 improved crop production for Kharif season, strong Rabi sowing and higher MSPs, the rural economy is likely to deliver robust growth. The benefits of these are being witnessed in the improved volume growth for FMCG products in rural India.
- **The Q2 FY26 earnings season was reasonably stable and generally better than expectations** led by banking, auto, infra, and consumer sectors. In Small caps, the earnings growth was more narrow and any miss in earnings estimate was not taken kindly by the market, given the elevated valuations. **With valuations remaining rich in Mid and Small caps, earnings delivery in these categories remains important for them to deliver consistent performance, as further re-rating seems unlikely. However, Large caps seem to be more reasonably valued with more predictable earnings trajectory and hence could continue to see better performance. Interestingly, it is getting increasingly difficult for Fund Managers to get reasonably priced Mid and Small cap ideas on a consistent basis, as the earnings growth in many cases have not kept pace with the valuations.**
- On expected earnings side, with a low base, a sustained pickup in urban consumption demand, or incremental government spending support though 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.
- **Rich valuations, selling pressure from FPIs and supply in the Primary markets seem to be weighing down on the market performance. The Government on its part has rationalised GST rates to improve domestic consumption, the benefits of which are becoming visible and is likely to drive medium-term growth. Market participants also expect further policy rate cuts or strong liquidity infusion by the RBI to keep growth buoyant. If further support comes about, or if US tariffs get re-negotiated, or if we get favourable tariffs with EU (negotiations ongoing), the markets are likely to take that positively.**
- **While the markets have become narrow, as the earnings growth start to improve, opportunities may get more broad based in the set of stocks which deliver incrementally better revenue/earnings growth. Fund Managers who are able to 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.**
- **In terms of deployment strategy, we maintain our investment deployment strategy of 50% Lumpsum and 50% staggered over the next 5-6 months, as Indian GDP growth still remain amongst the best in the world and any sharp volatility could be used by investors to add to their exposures.**
- **On allocations in Equity Mutual Fund perspective, investors could look at investing across Largecap, Flexicap, Large and Midcap, Hybrid Equity, Business Cycle funds and using STPs as an instrument to invest in Multicap, Midcap funds and Multi asset funds ; in line with their risk profile, asset allocation and product suitability from a 2-3 years' time horizon.**

US: Growth Remains Stable despite higher tariffs; rising unemployment may push Fed to cut further... positive for risk assets

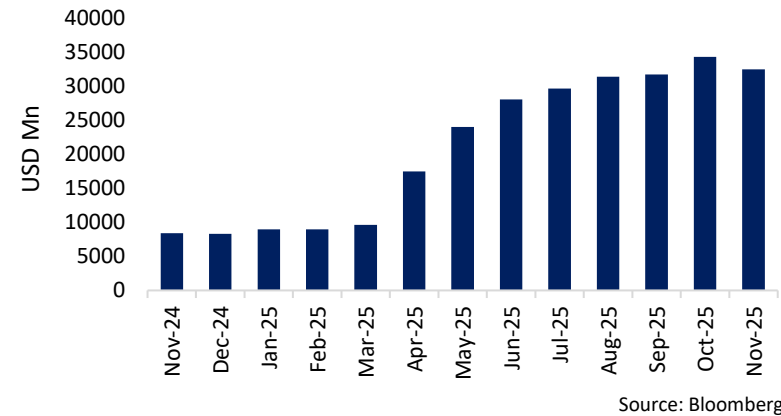
US Trade Balance

Trade deficit narrows as tariff take effect



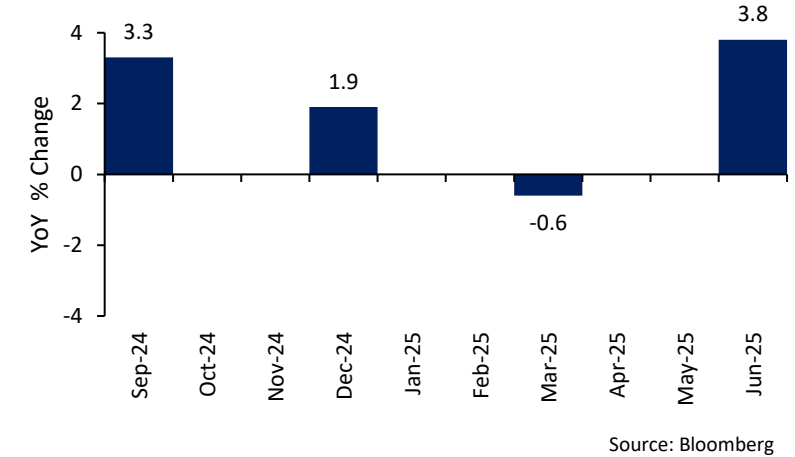
US Treasury Deposits Customs & Certain Excise Taxes

Increasing as Tariff impacts seems to be visible



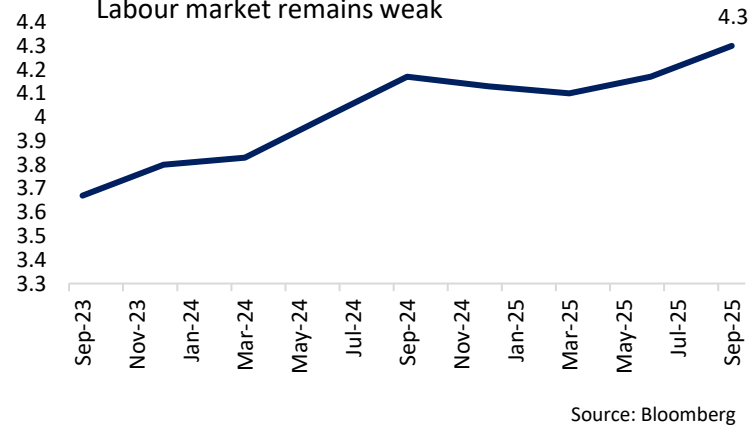
US Quarterly GDP Growth

Growth remains stable



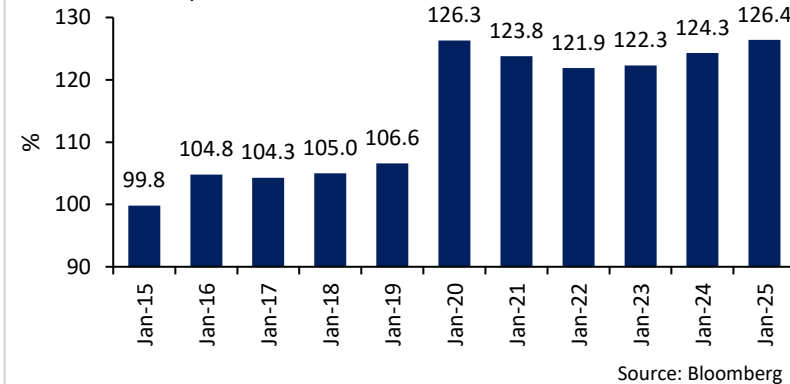
US Unemployment Rate (%)

Labour market remains weak



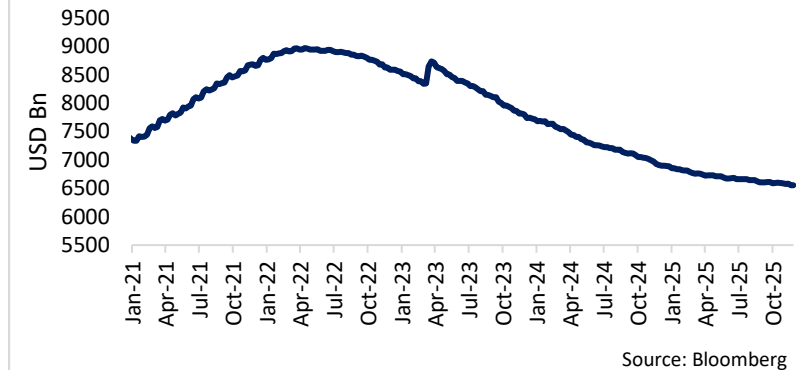
US Debt To GDP Ratio

Fiscal concerns continue to pose challenge for the overall economy



All Federal Reserve Banks Total Assets

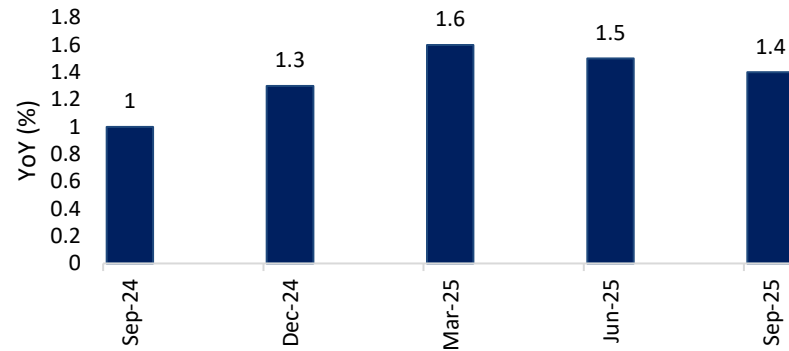
Liquidity coming down, QT stopped from 1st Dec 2025, markets expect Fed to ease rates going further



Europe: Growth modest, green shoots visible

Eurozone GDP

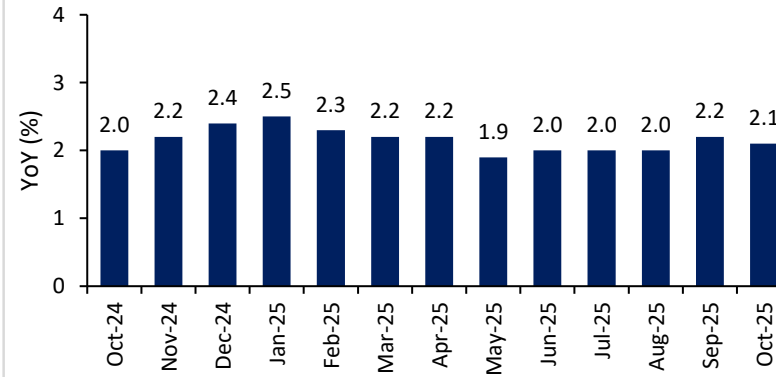
Growth remains stable at lower levels



Source: Bloomberg

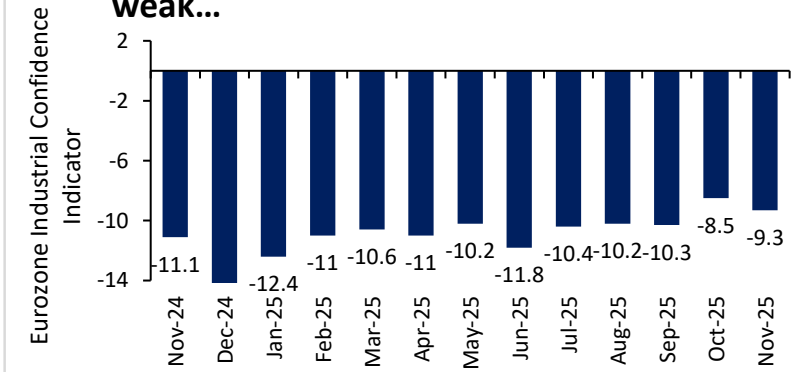
Eurozone CPI

Inflation remains modest



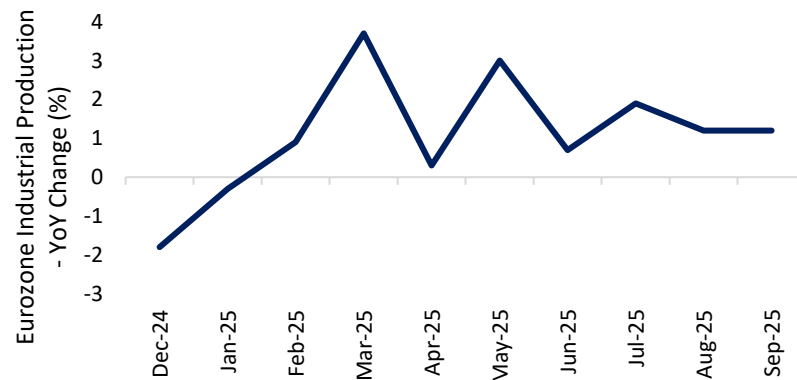
Source: Bloomberg

While consumer confidence remains weak...



Source: Bloomberg

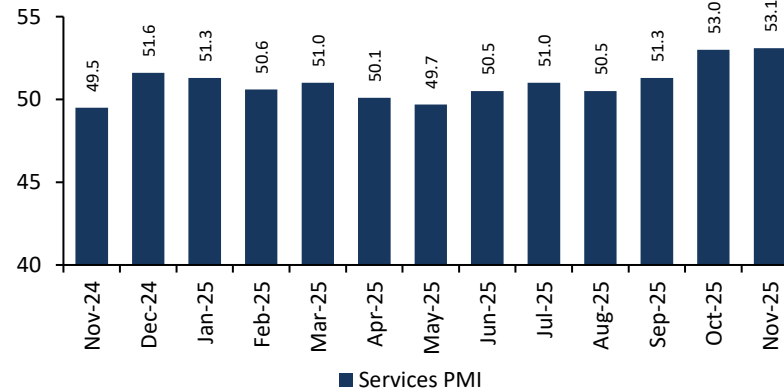
... Industrial production improves



Source: Bloomberg

S&P Global Eurozone PMI

Services PMI remains in expansionary zone



Source: Bloomberg

Rising fiscal spending by EU countries key for improving industrial production

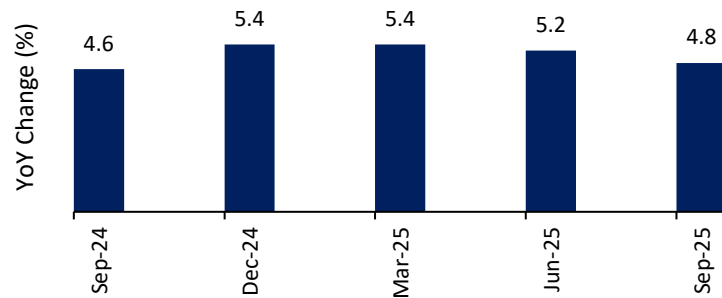
- To meet the required EUR 800 bn to finance a massive ramp-up in defence spending, each member state must spend 1.5% of its GDP on defence. That would bring combined amount to EUR 650 bn, remaining EUR 150 bn would be provided by loans.
- The legislation includes provisions for a EUR 500 bn investment in infrastructure over a 12-year period.
- France set an even higher target for defence spending at 3-3.5% of economic output from the current 2%.

Source: Media reports

China: Though recent growth was robust, cracks visible on exports... Domestic revival needed

China Quarterly GDP

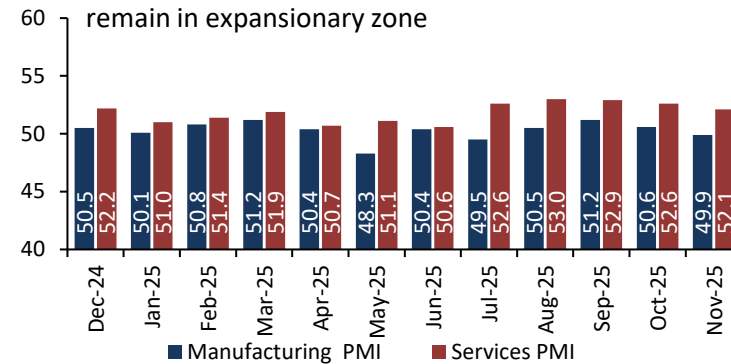
Growth holding up



Source: Bloomberg

China Manufacturing & Services PMI

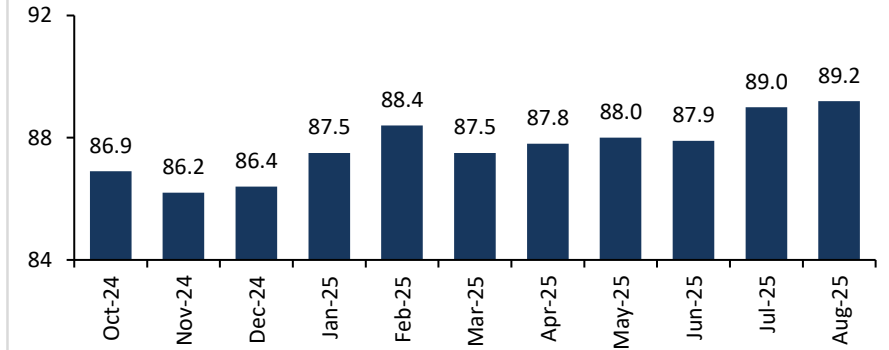
Manufacturing PMI slipping, Services continue to remain in expansionary zone



Source: Bloomberg

China Consumer Confidence Index

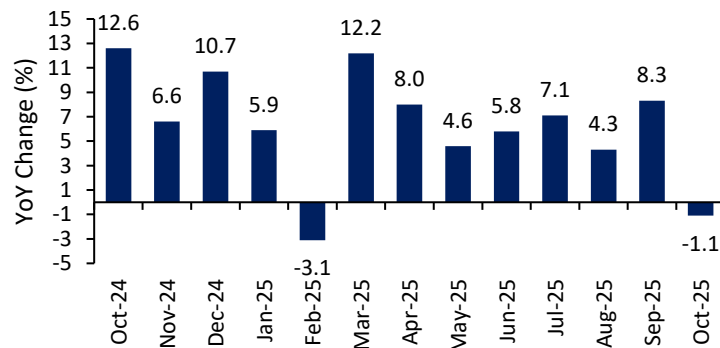
Seems to be increasing on back of stimulus



Source: Bloomberg

China's Export Growth

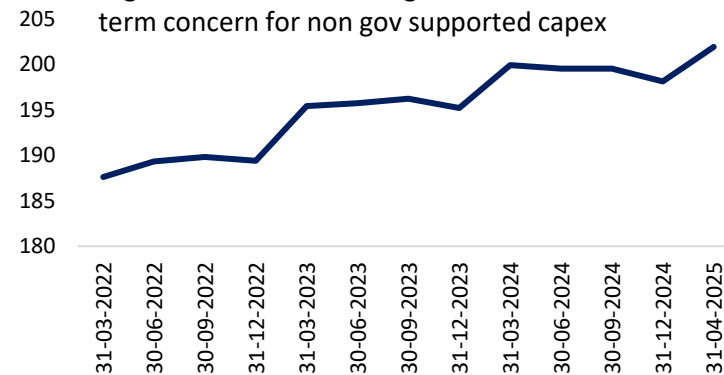
Export growth negative as exports got front loaded due to higher US tariffs



Source: Bloomberg

BIS China Credit to Private Non Financial Sector % of GDP

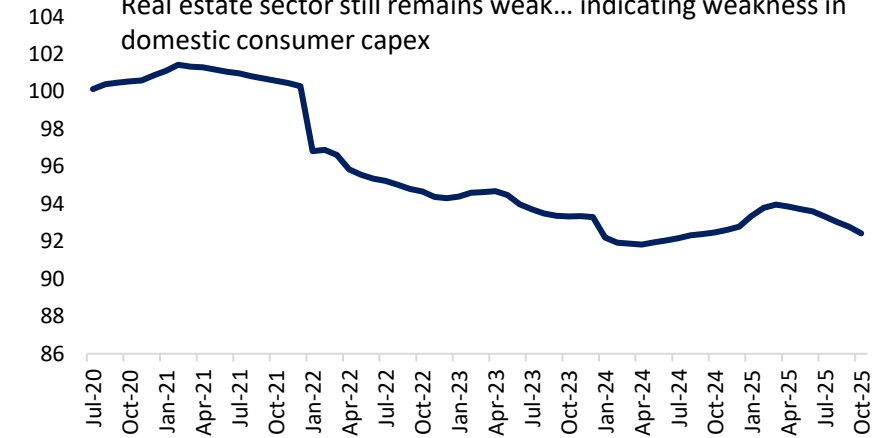
High Private sector leverage could be a medium term concern for non gov supported capex



Source: Bloomberg

China Real Estate Climate Indicator

Real estate sector still remains weak... indicating weakness in domestic consumer capex



Source: Bloomberg

Commodities: Remain weak, positive for inflation

Brent Crude

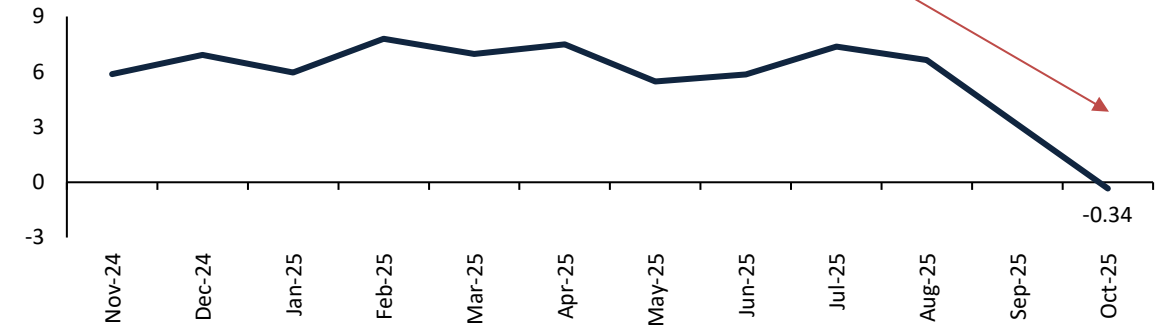
Remain range bound on back easing geo political tension



Source: Bloomberg

UN Food & Agriculture World Food Price Index

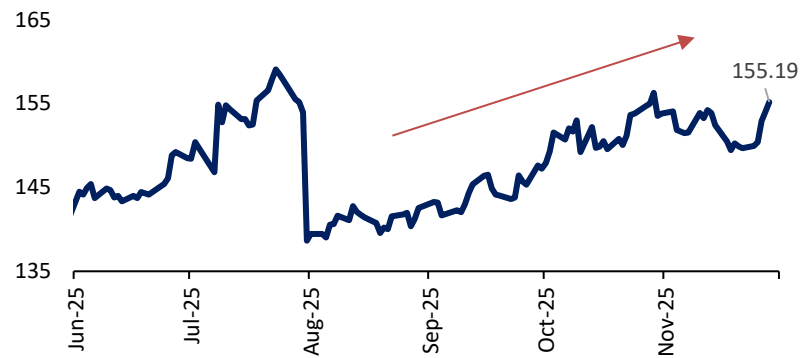
Prices decelerating



Source: Bloomberg

Bloomberg Industrial Metals Index

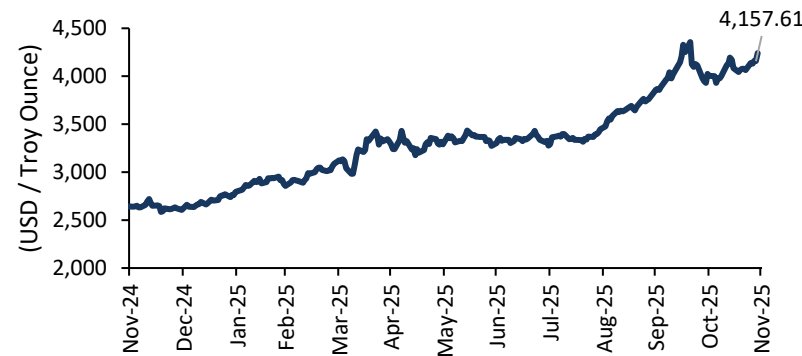
Metal prices remain elevated



Source: Bloomberg

Gold Price Movement

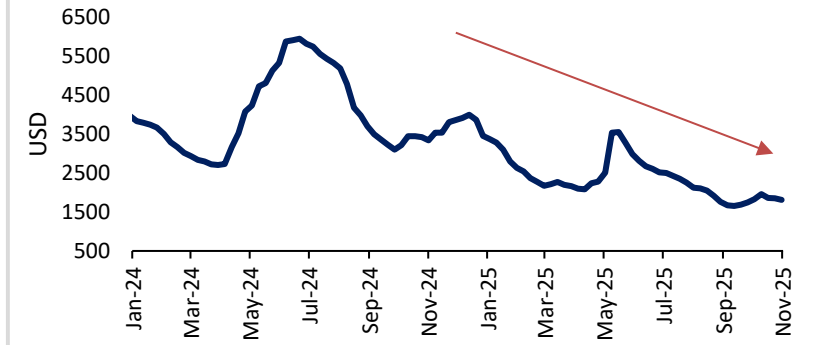
Consolidating on back of a strong rally and profit booking



Source: Bloomberg

Drewry World Container Index per 40 Foot Box

Prices have come down

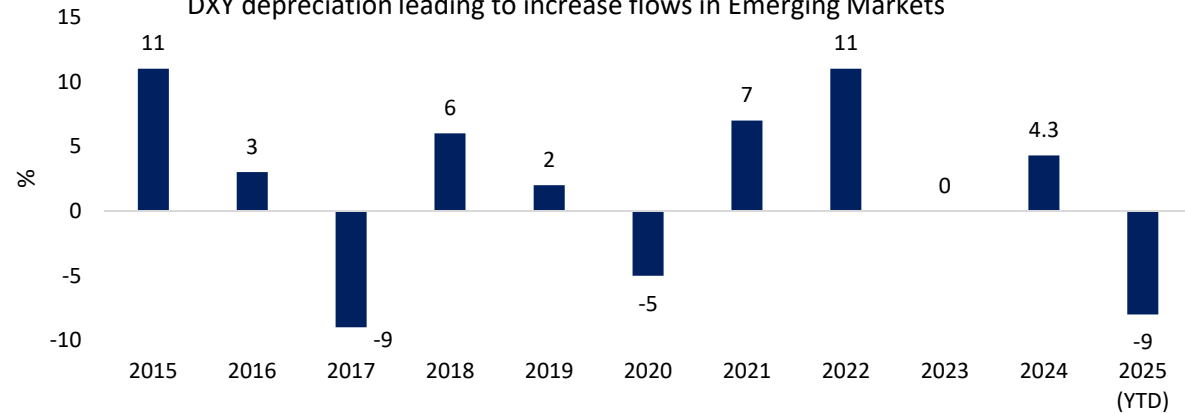


Source: Bloomberg

Emerging Markets: Story of resilience and relative value

Appreciation/Depreciation in DXY

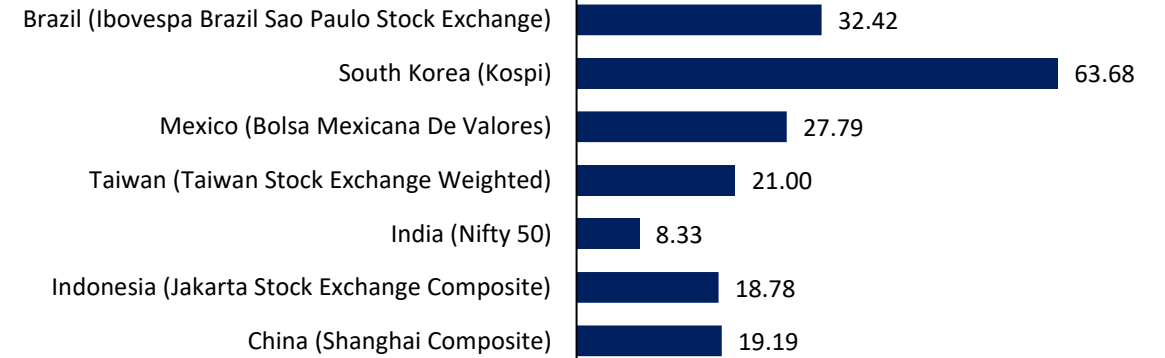
DXY depreciation leading to increase flows in Emerging Markets



Source: Bloomberg

Emerging Markets - Absolute Returns of major EM equity indices for CYTD 25

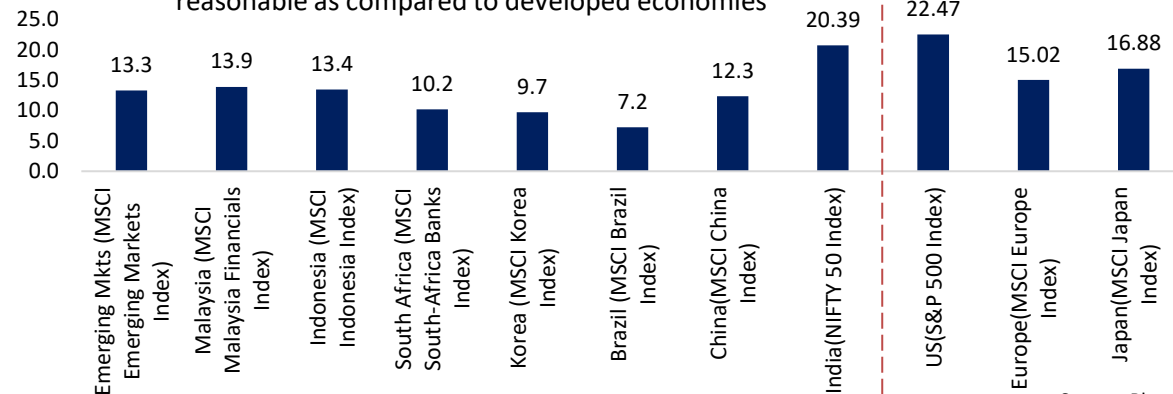
(%)



Source: Bloomberg

12M Expected Fwd PE of Various Economies

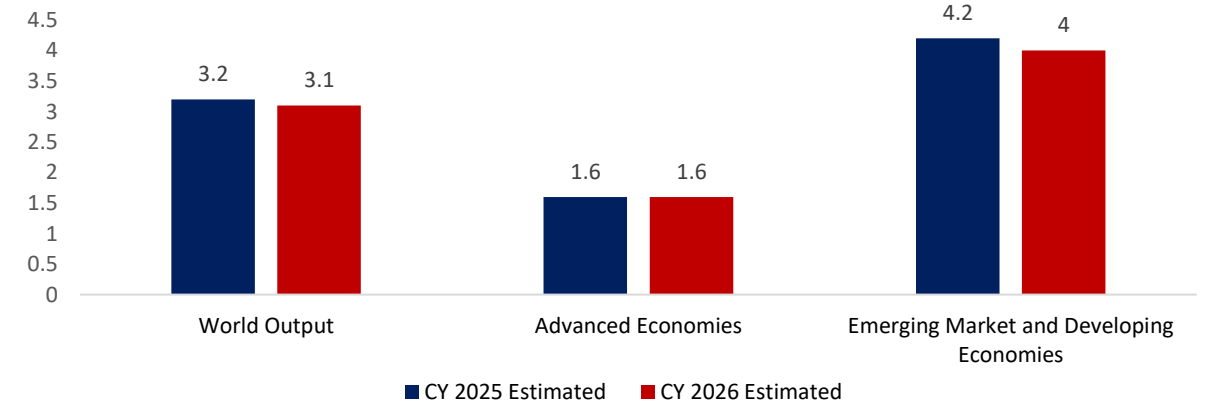
Valuations of emerging markets remain relatively reasonable as compared to developed economies



Source: Bloomberg

IMF Growth Outlook

Growth rate for EMs remain lucrative compared to Developed economies



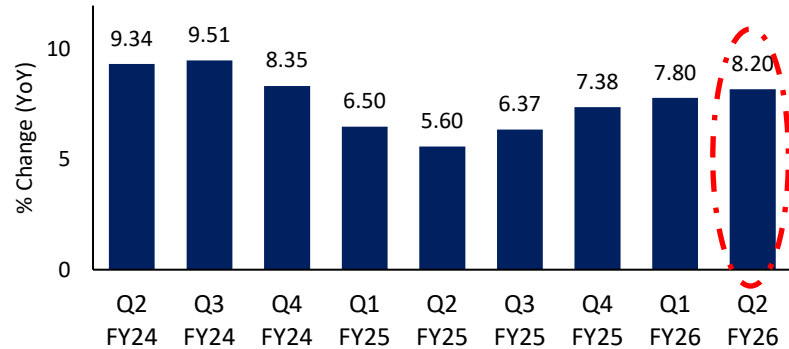
Source: IMF

Data as on 28th Nov'25

Q2 FY26 GDP at 8.2% YoY beats the expectations... though Nominal GDP at 8.7% is a cause of concern

Real GDP Growth

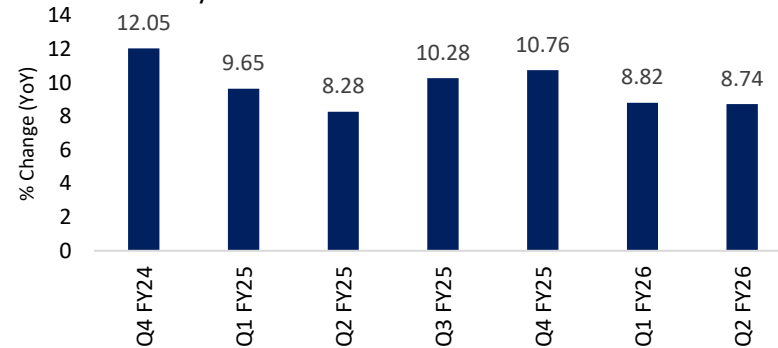
Surprises on the upside...



Source: MoSPI, Bloomberg

Nominal GDP Growth

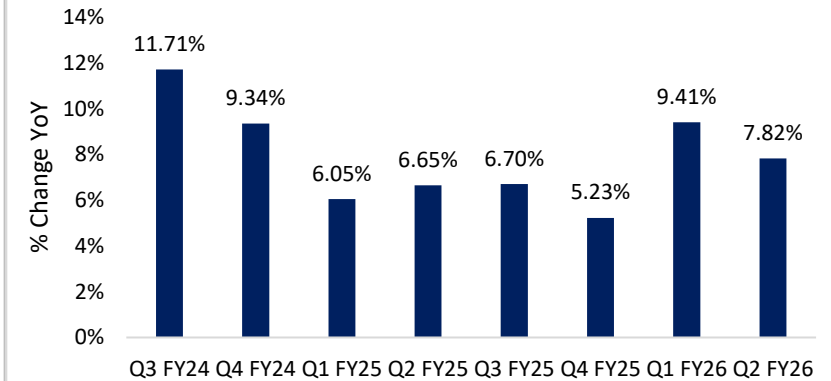
...while Moderating Nominal GDP remains a cause of worry



Source: MoSPI, Bloomberg

Gross Fixed Capital Formation

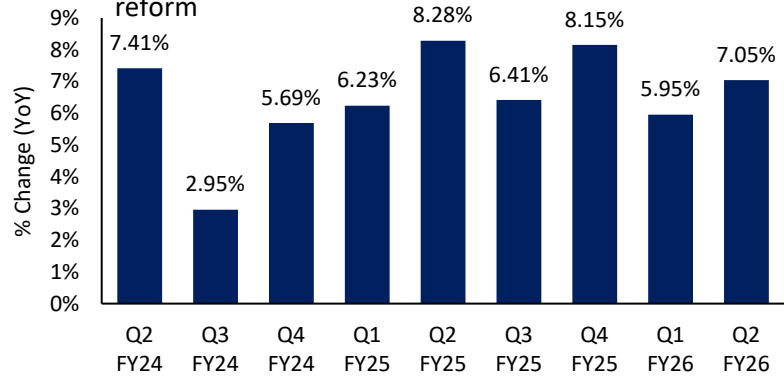
Remains steady



Source: MoSPI, Bloomberg

Private Final Consumption Expenditure

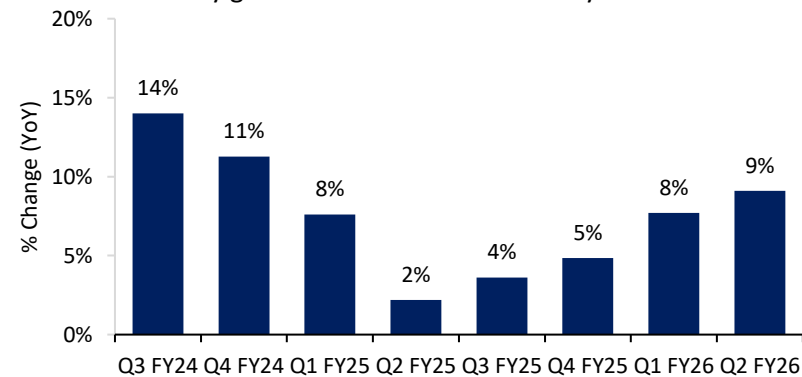
Remain robust and expected to improve given GST reform



Source: MoSPI, Bloomberg

Manufacturing growth

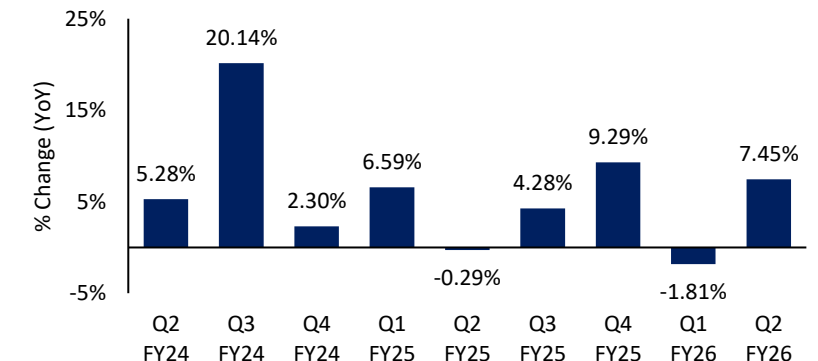
Key growth driver for the economy in Q2 FY26



Source: MoSPI, Bloomberg

Govt Final Consumption Expenditure

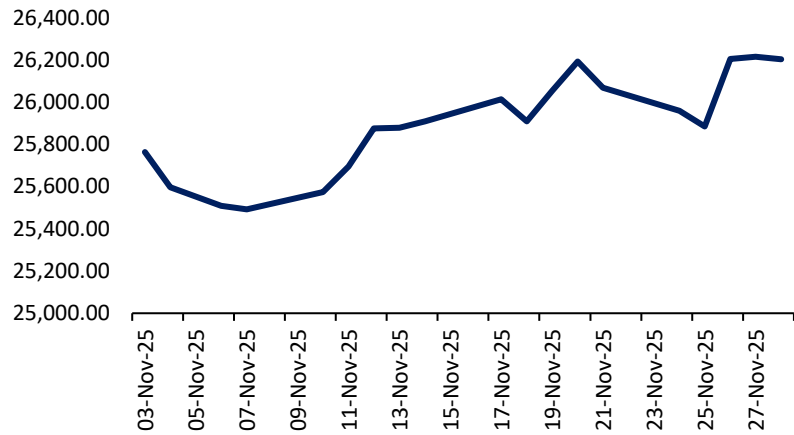
Remains strong



Source: MoSPI, Bloomberg

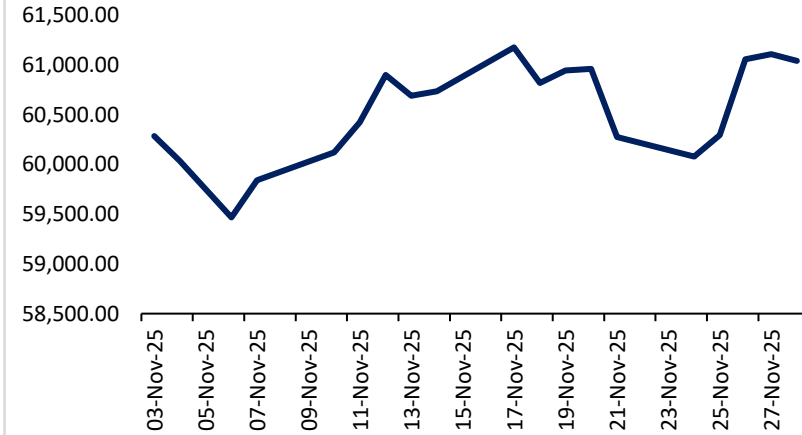
Large and Midcaps outperformed while Small caps underperformed on the back of earnings and valuations concern... Robust GDP growth, better earnings and anticipation of trade deal with the US led to overall positive market sentiments

Nifty 50 Index Movement



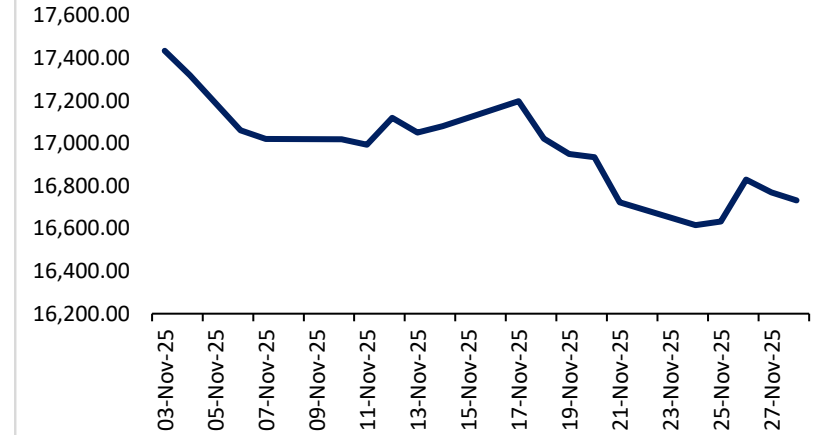
Source: Bloomberg

Nifty Midcap 100 Index Movement



Source: Bloomberg

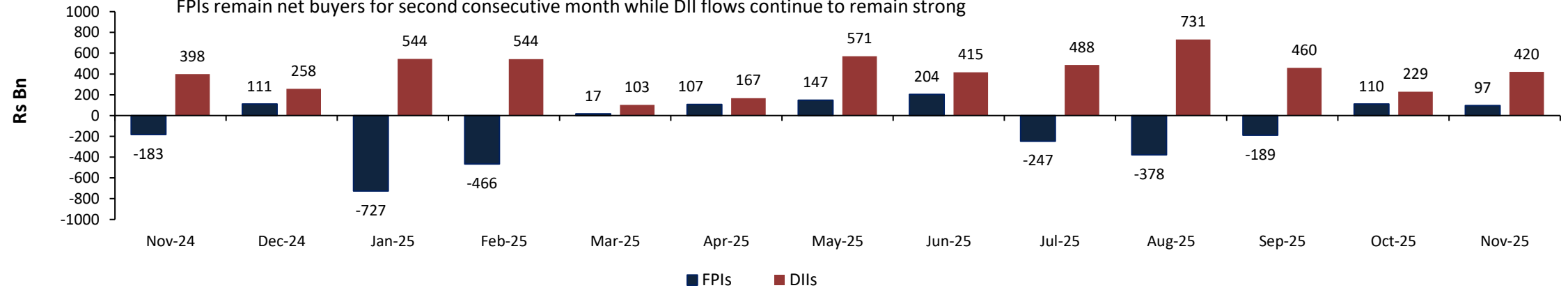
Nifty Smallcap 250 Index Movement



Source: Bloomberg

Net Flows In Equities

FPIs remain net buyers for second consecutive month while DII flows continue to remain strong

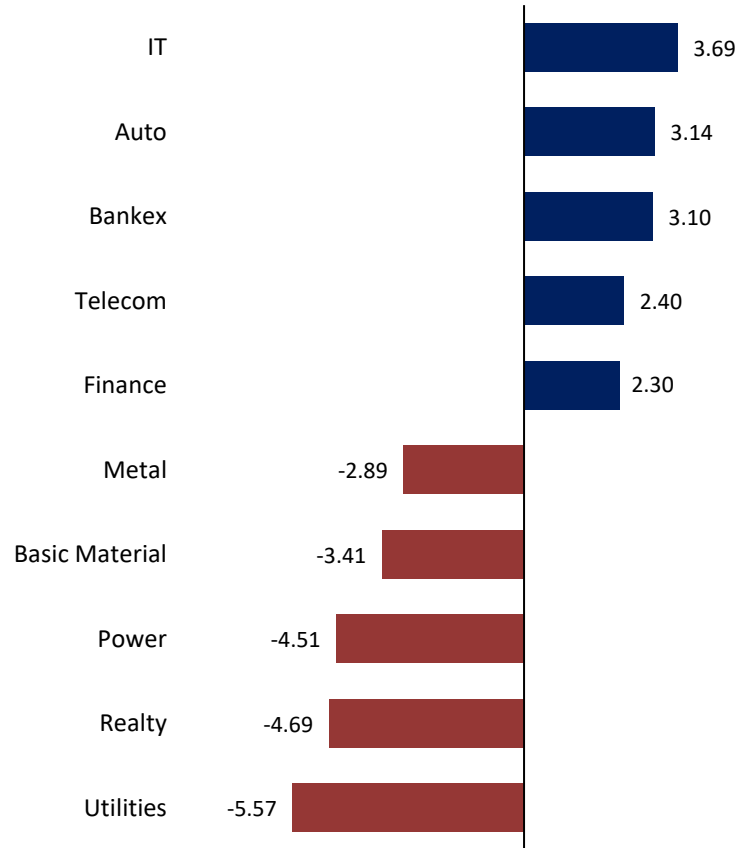


*For 2025, FPI and DII data is up to 28th November

Source: SEBI, CDSL

Sectoral performance and FPI flows in November 2025

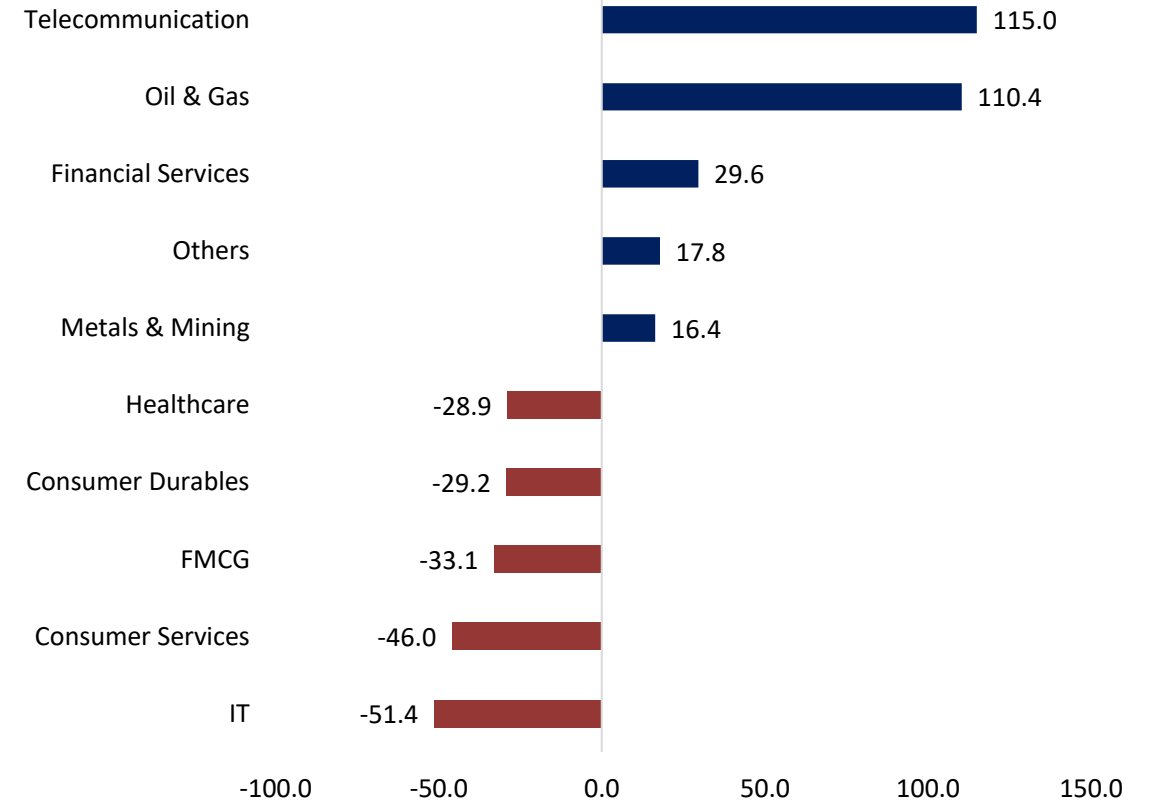
S&P BSE Sectors - Absolute Return In November 2025 (%)
(Only the top and bottom 5 names shown)



Source: Ace MF

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

Data is from Oct 16, 2025 till Nov 15, 2025

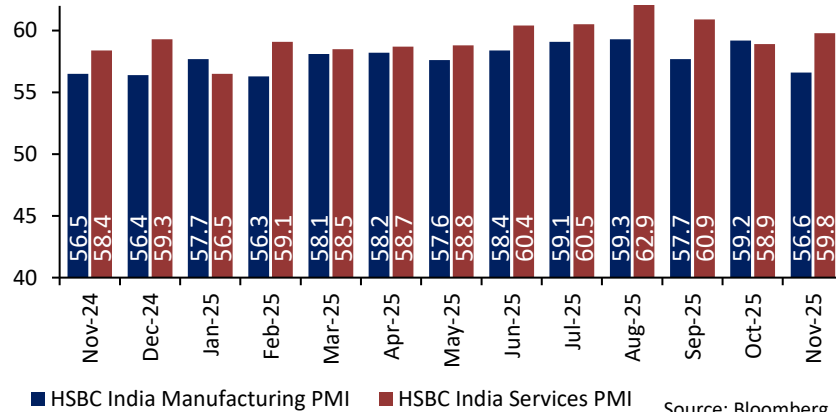


Source: NSDL

India Macros: Remain stable...

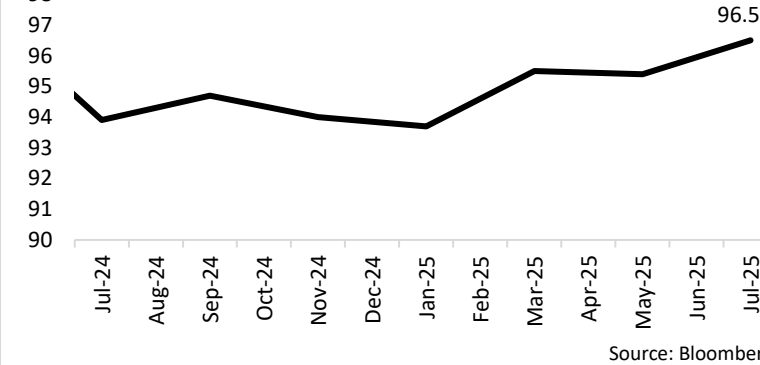
HSBC PMI

Remains in expansionary zone



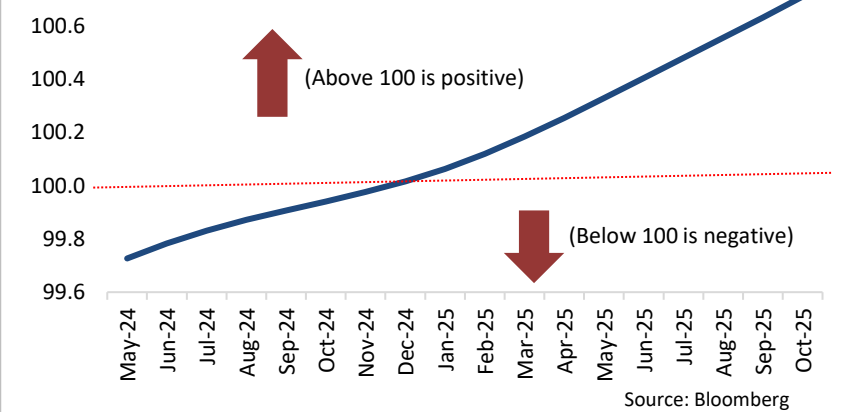
Consumer Confidence Index

Showing signs of improvement, expected to improve going ahead with GST cut in offing



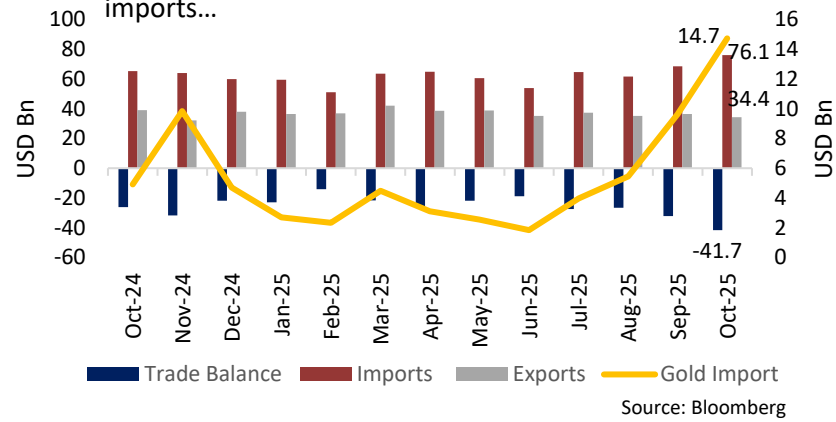
India OECD Leading Indicator

Leading indicator shows a positive trend



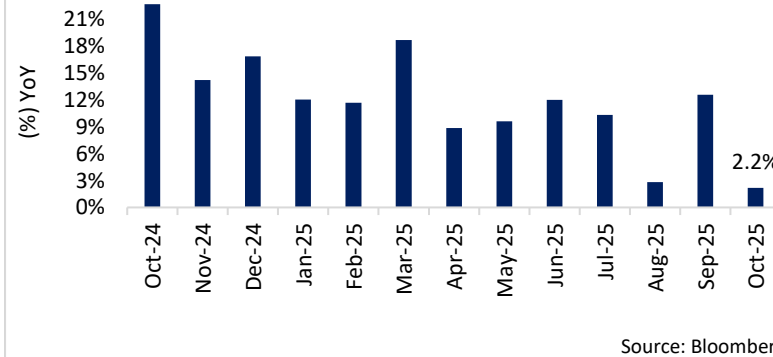
Merchandise Trade Deficit

Deficit widened to an all-time high led by surge in gold imports...



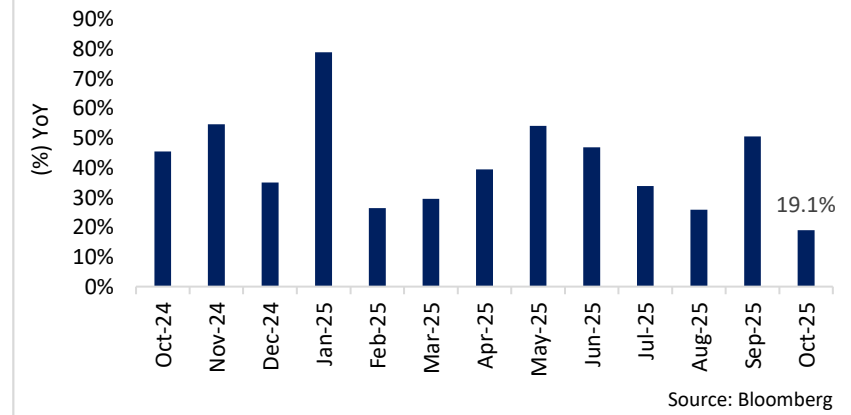
India Services Exports

... While strong services exports is creating a downside buffer



India's Exports of Electronic Goods

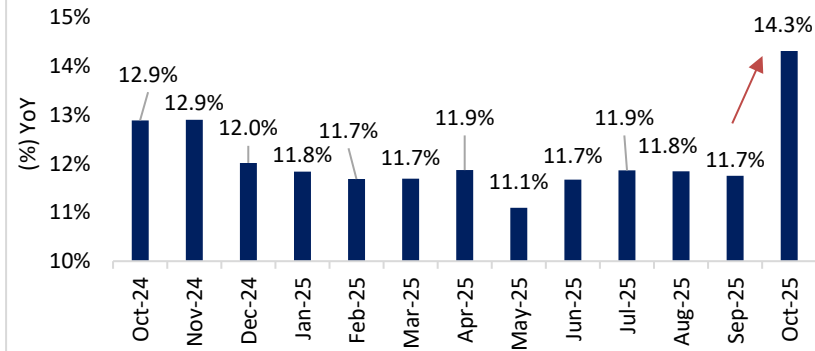
The story remains strong despite tariff related disruptions



Urban Economy: GST boost is evident

Banking Sector Personal Loan Growth

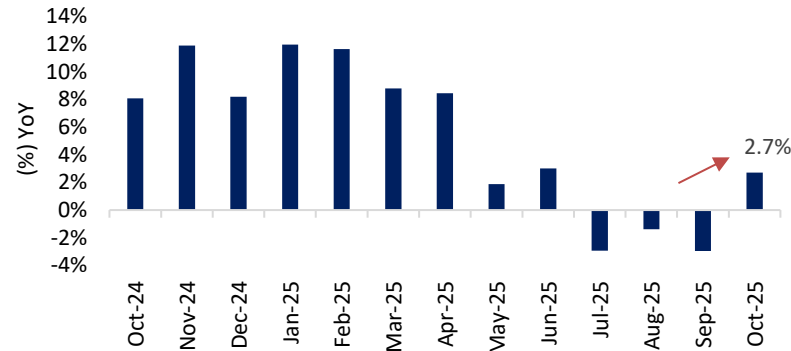
Personal loan growth is showing strength...



Source: Bloomberg

Domestic Passengers Carried By Airlines

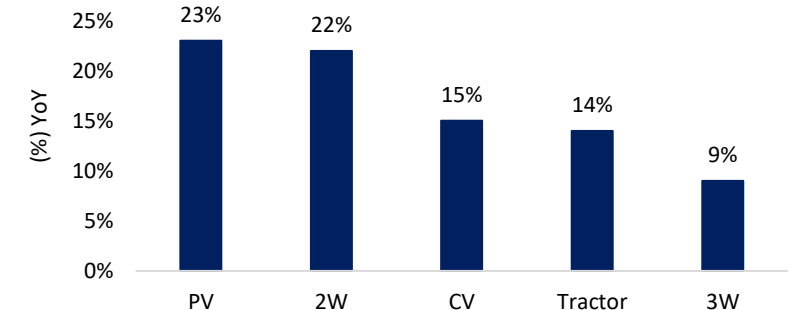
Air travel shows growth



Source: Bloomberg

Auto retail sales during 42 days of festive season

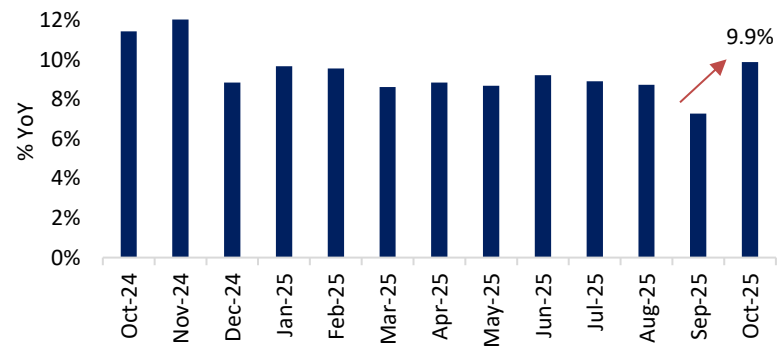
Strong festive momentum and GST rationalisation lift the auto retail sector demand



Source: FADA

Vehicle Loan

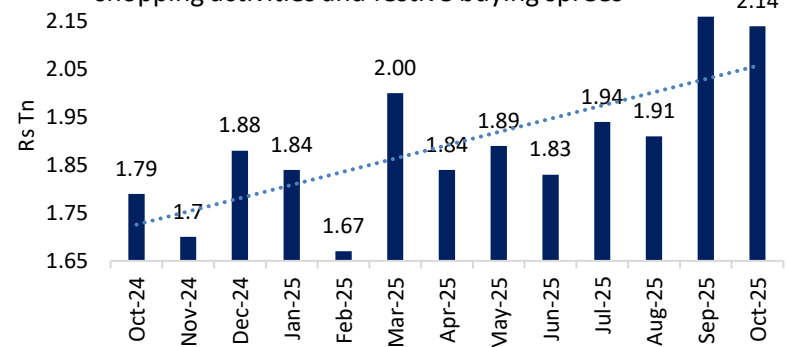
Growth in vehicle loans segment is seen with GST rate cut



Source: Bloomberg

Credit Card Spends

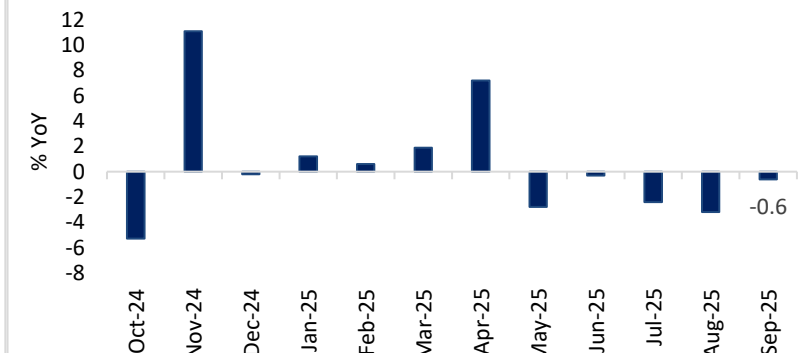
Rise in expenditure is seen with the surge in online shopping activities and festive buying sprees



Source: Media Reports

Hotel Occupancy

However recently hotel occupancy rates have seen downtick

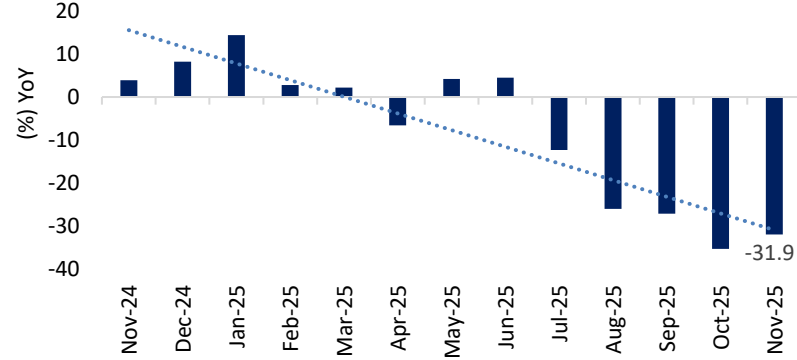


Source: RBI

Rural Economy: Rural demand remains strong

MGNREGA Work Demand

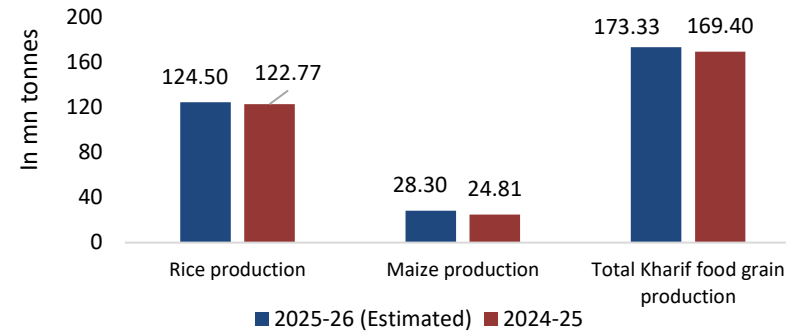
Weakening of Work demand suggests improving rural labour market conditions



Source: MGNREGA

First advanced estimates of Kharif crop production for 2025-26

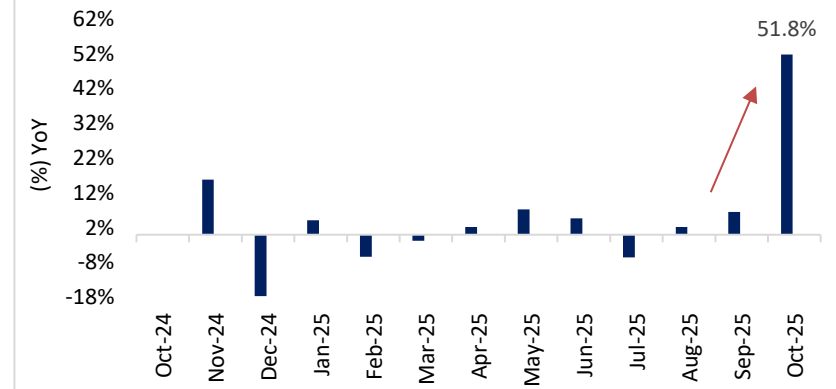
Suggests sustained momentum in rural India



Source: Ministry of Agriculture & Farmers Welfare

Two-Wheeler Sales

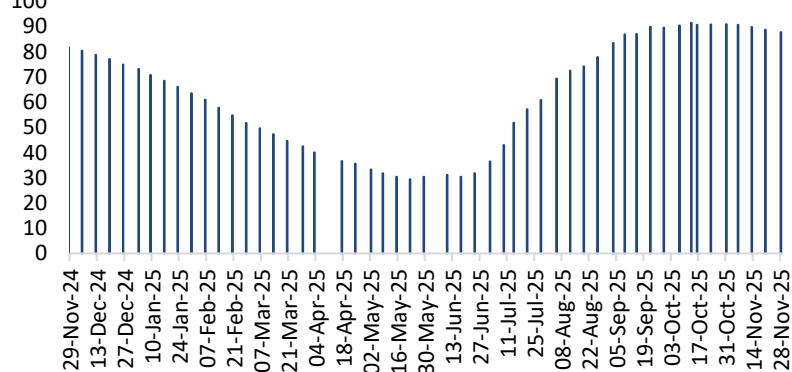
Two-wheeler sales uptick visible



Source: Bloomberg

Total 133 Reservoirs - % Of Current Live Storage

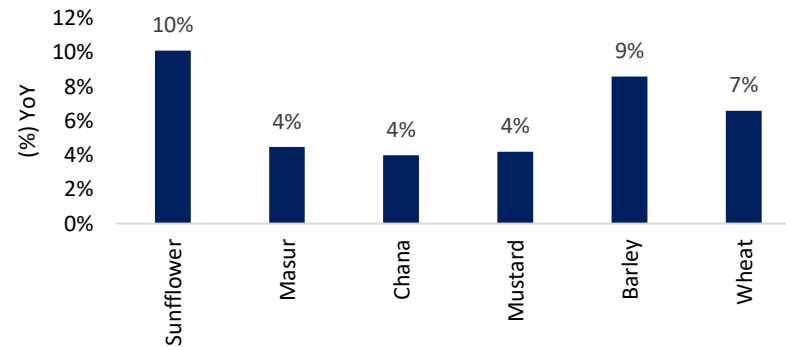
Surged reservoir level will support rabi crops



Source: Cogencis

Rabi Crops' MSP also raised

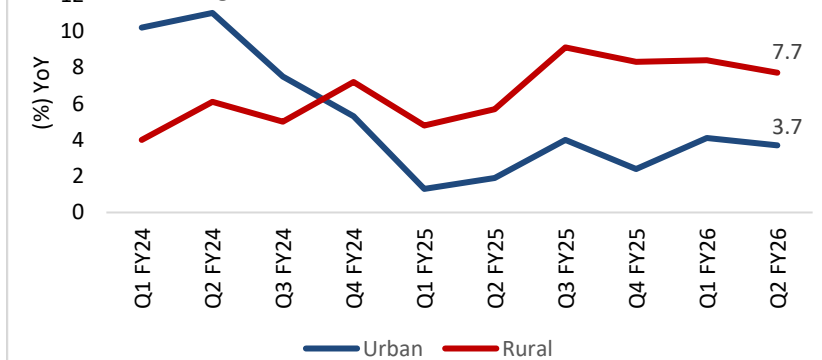
Higher pricing will lead to more disposable income for rural households



Source: MoSPI, PIB

Volume Growth

Rural India saw sustained growth in FMCG volumes as urban growth rationalizes



Source: HSBC AMC

Q2 FY26 Results: Reasonable in aggregate, some stock specific disappointment in small caps

Sector	Net Sales - YoY Growth (%)			EBITDA - YoY Growth (%)			PAT - YoY Growth (%)		
	Q2 FY26	Q1 FY26	Q2 FY25	Q2 FY26	Q1 FY26	Q2 FY25	Q2 FY26	Q1 FY26	Q2 FY25
Automobile and Auto Components	6.17	0.24	-1.76	-22.66	-16.78	-4.30	-31.67	-6.25	-6.26
Capital Goods	16.74	10.09	8.78	27.20	9.66	17.40	31.03	6.32	8.65
Chemicals	11.33	7.08	6.01	13.32	8.97	2.43	38.55	24.25	-6.47
Construction	10.19	12.69	13.63	8.46	14.01	10.29	13.18	22.66	5.76
Construction Materials	17.86	13.99	3.72	65.34	47.53	-30.27	210.54	44.47	-58.66
Consumer Durables	13.83	16.44	27.62	18.89	5.24	-8.95	77.05	0.80	-8.04
Consumer Services	38.70	29.79	20.49	2.97	-2.82	36.52	-6.96	-14.39	-17.97
Diversified	5.84	6.36	6.97	-50.77	4.94	82.33	12.51	6.75	105.86
Fast Moving Consumer Goods	10.06	13.98	7.24	5.95	0.55	2.47	6.11	4.73	3.47
Financial Services	6.62	8.88	14.28	23.25	17.74	4.09	8.46	6.49	14.16
Healthcare	14.33	10.12	11.17	22.61	11.93	21.77	16.28	-3.61	23.31
Information Technology	6.51	5.70	8.17	7.83	3.40	10.91	4.75	6.27	11.71
Media Entertainment & Publication	10.87	-1.01	-15.17	4.41	5.39	-34.82	-10.94	20.51	-19.41
Metals & Mining	10.39	3.43	-0.48	22.65	11.80	4.64	29.75	21.53	312.34
Oil Gas & Consumable Fuels	3.56	-1.00	1.28	57.31	19.41	-49.25	49.24	39.62	-45.83
Power	3.28	1.58	3.58	3.69	-5.72	1.78	-18.18	-1.31	8.37
Realty	13.06	23.67	31.01	8.24	2.89	22.13	23.06	11.65	28.42
Services	15.91	14.64	13.03	4.34	-0.34	-0.70	-8.94	-2.30	-9.49
Telecommunication	12.72	16.80	14.80	29.32	48.43	32.81	1,904.80	191.90	95.05
Textiles	-1.31	-1.18	-0.12	-15.18	-2.66	8.31	-12.43	2.66	2.82
Grand Total	7.88	5.64	6.76	19.97	10.05	-9.32	14.91	11.31	2.17
Ex-Financials	8.32	4.57	4.33	19.30	8.52	-11.64	19.65	14.52	-5.16

Data as on November 17, 2025 and pertains to 487 companies within the Nifty 500 universe

Source: Capitaline, HDFC Bank Research

Going Forward:

- Banking and Consumer Discretionary: Expected to see uptick.
- Industrials and Power: may see weakness in order growth in selective pockets.
- IT: Would depend on execution of order book, rupee depreciation acting as a cushion

India: Valuations on path of normalisation vs peers

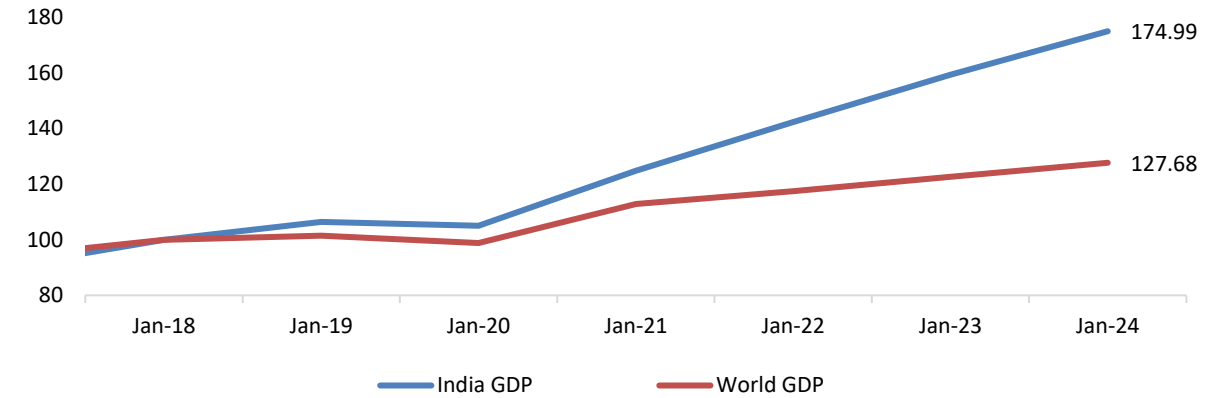
India Market Cap as a % of World Market Cap

Gradually decelerating as India has underperformed in near term vs peers



Source: Bloomberg

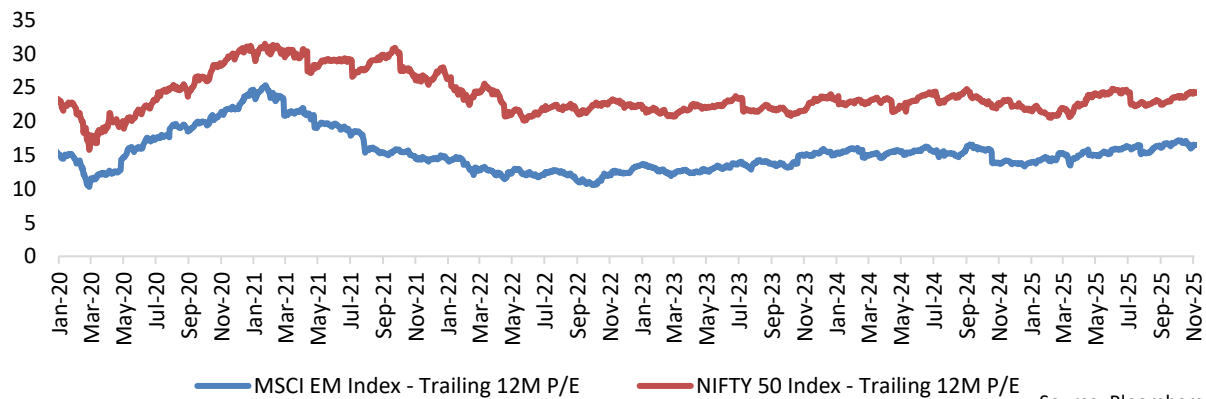
India's GDP Growth (75%) has seen substantial up-move in last few years vs World GDP growth (28%)



Note: Considered base as 100 for comparison

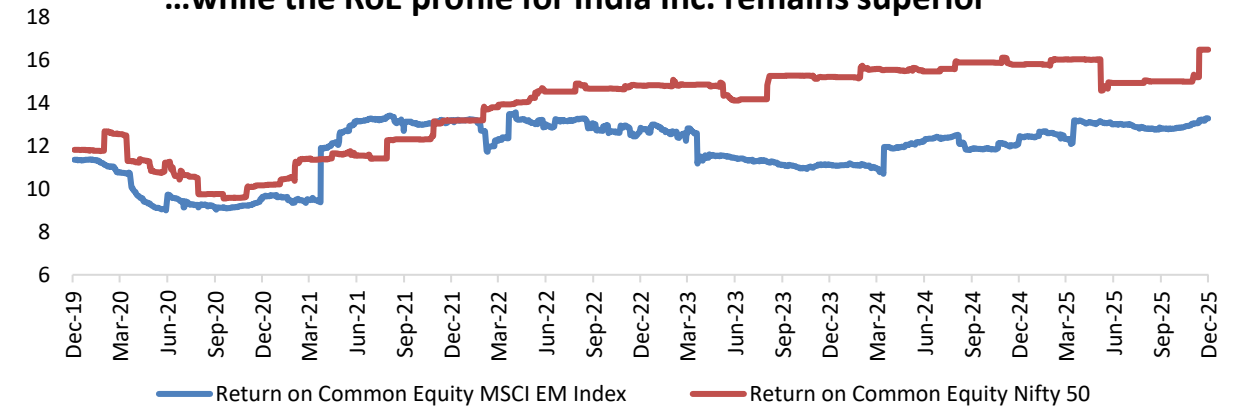
Source: Bloomberg

Nifty P/E premium to Emerging markets have come off...



Source: Bloomberg

...while the RoE profile for India Inc. remains superior



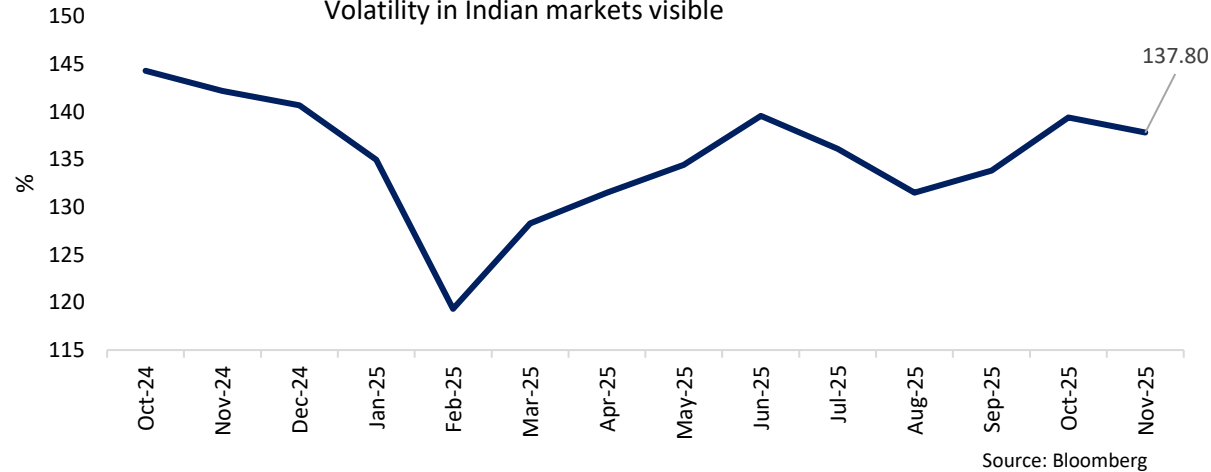
Note: Data taken as on 28th November 2025

Source: Bloomberg

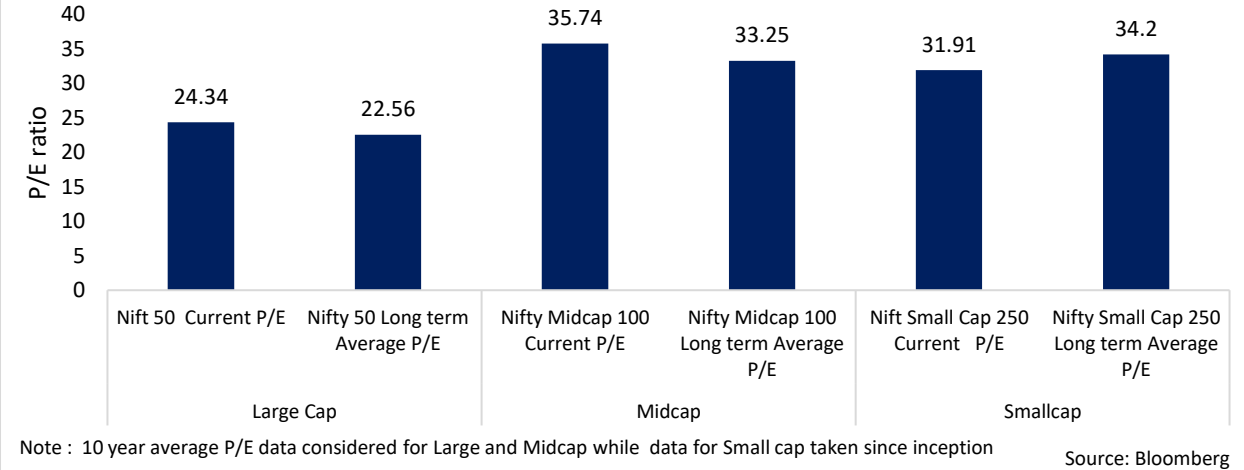
Valuations normalising... broad based earnings growth needed as markets are narrowing

India's Market Cap to GDP

Volatility in Indian markets visible



Valuation Snapshot for Indices



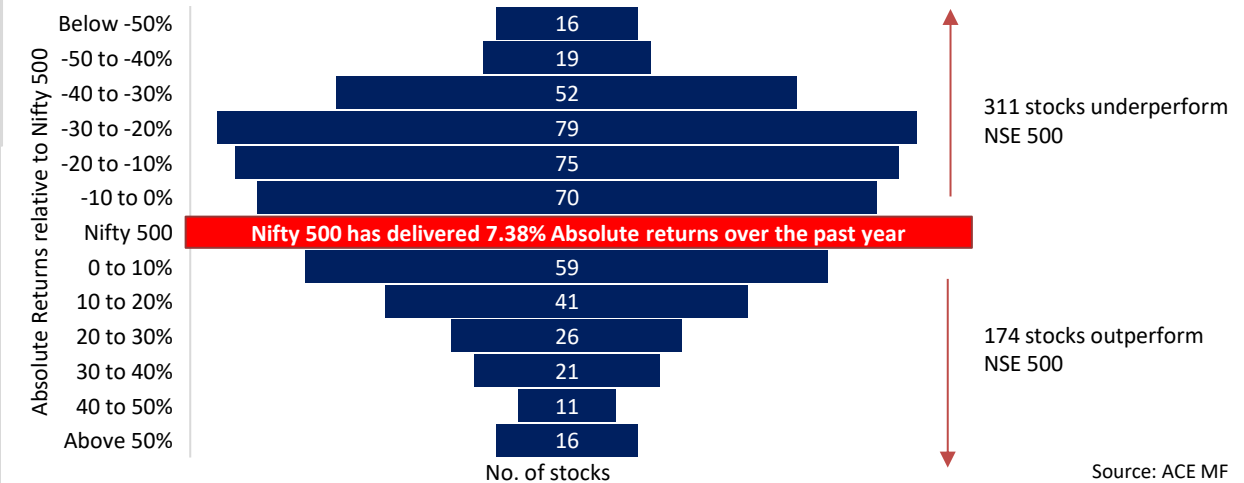
While Large cap valuations look relatively attractive on a P/E basis, on a PEG basis, Mid and Small caps seem to be reasonable. Given the High P/E in Mid and Small cap indices, earnings momentum needs to continue in this segment for stocks to compound, with Small cap seem to be a suspect.

Index	P/E FY27 (Est.)	P/E FY28 (Est.)	EPS FY27 (Est.)	EPS FY28 (Est.)	PEG FY27 (Est.)
Nifty 50	20.39	17.79	1284	1472	1.215
Nifty Midcap 100	28.38	23.39	2151	2610	1.097
Nifty Smallcap 250	26.65	21.95	671	814	1.026

Data as on 28th Nov'25

Source: Bloomberg

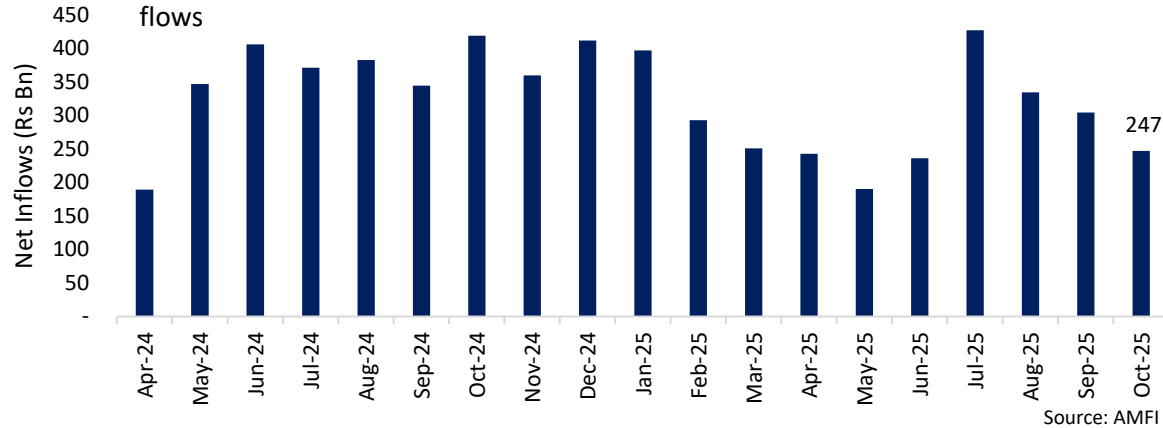
Majority of stocks underperform Nifty 500 suggesting narrower markets



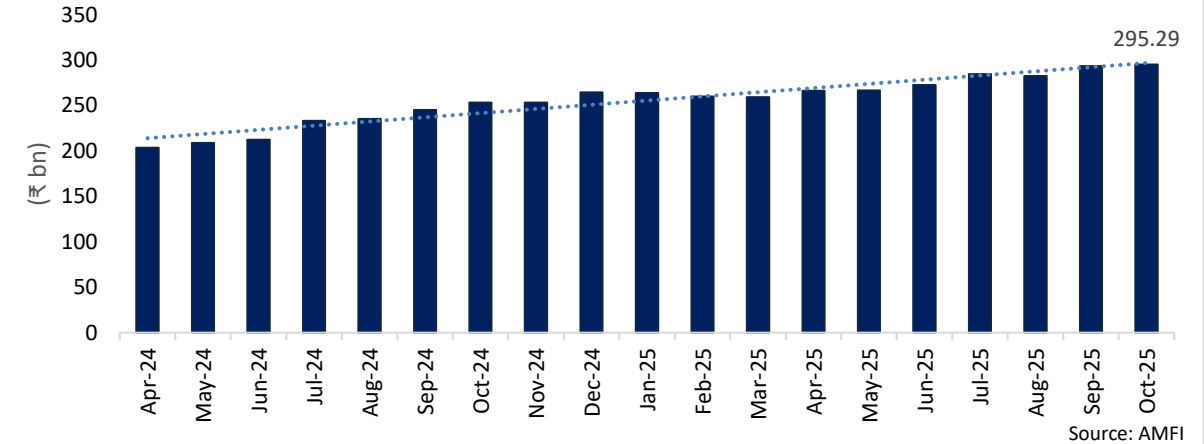
Investment in mutual fund continues to support the market as selling by FPI have been absorbed by DII

Pure Equity Funds Flows

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

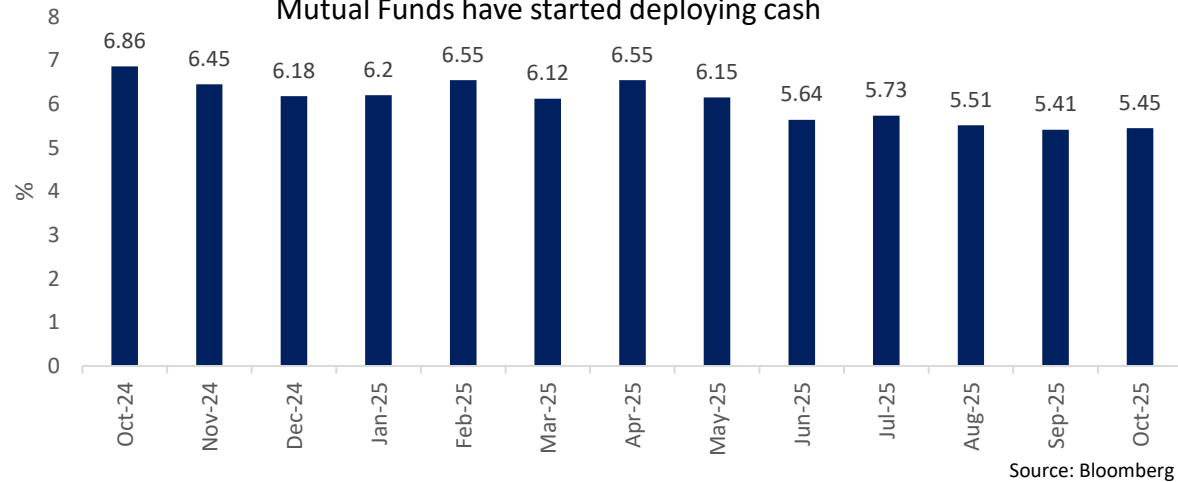


SIP contribution remains strong

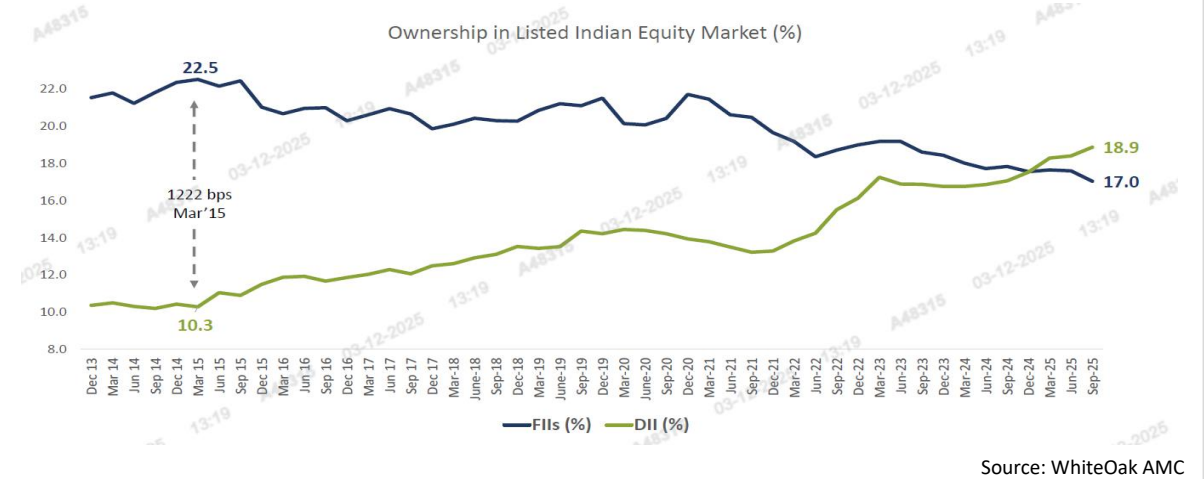


Mutual Funds Aggregate Cash Value

Mutual Funds have started deploying cash



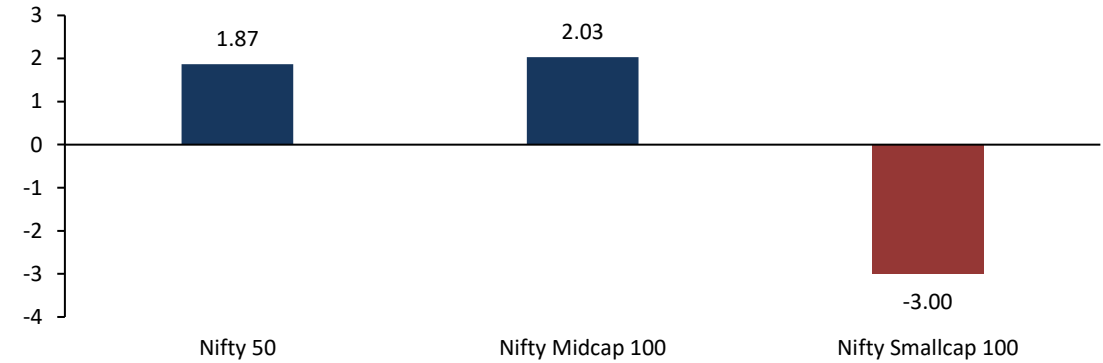
With sustained FPI outflows, FPI holding have come down substantially in Indian companies



Market Roundup – November 2025

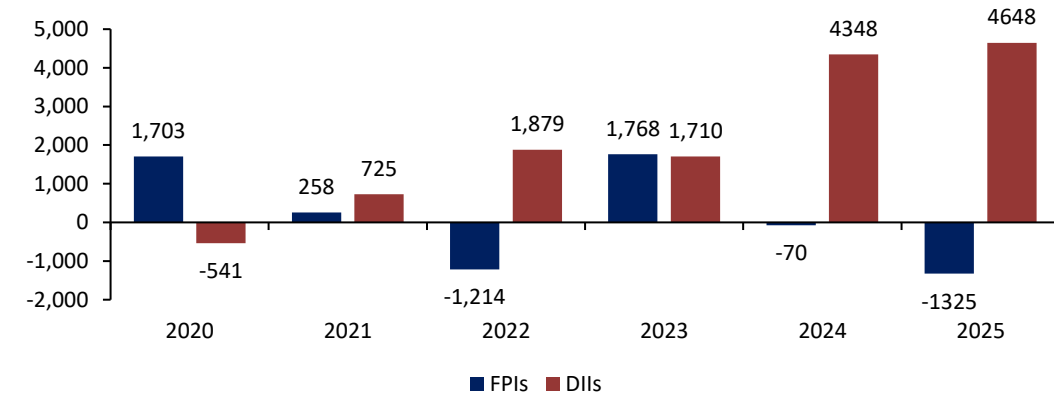
- Indian equities ended the month on a mixed note. Large cap-oriented BSE Sensex ended higher by 2.1% (MoM) and Nifty 50 ended higher by 1.9% (MoM). While the BSE Midcap index ended higher by 0.35%(MoM) and BSE Small cap index ended lower by 3.38% (MoM).
- In terms of BSE sectoral indices, the sectors ended on a mixed note. IT, Bank Index and Auto were the outperformers.
- During the month, FPIs were net buyers in equities to the tune of Rs 97 bn.
- Domestic equity markets ended the month on a mixed note supported by growing expectations of interest rate cuts by both the US Federal Reserve and the RBI, optimism over a US shutdown resolution, progress on a potential US–India trade deal, solid earnings and easing inflation for October along with state election outcome that indicated policy continuity; however, profit booking at higher levels capped the gains ahead of the release of key domestic data.

Absolute Return In November 2025 (%)



Source: Bloomberg

Net Flows In Equities



*For 2025, FPI and DII data is up to 28th November.

Source: SEBI, CDSL

Key concerns for Indian equities

- Post the boost given by government to drive consumption demand, conditions still lagging
- Extension of India - US trade deal
- Any significant slowdown in US economy
- Any new Geo-political conflict
- The impact of Dollar Index and US Bond Yields on FPI flows in emerging markets
- 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 • Credit and deposit growth expected to improve and NIMs expected to have bottomed out. The Banking sector could outperform, led by midcap banks. • PSU Banks also seeing incremental interest by the Fund Managers, as valuations are reasonable and credit growth is expected to improve. • Capital markets plays are expected to see some valuation correction as growth may decelerate. • Insurance companies have also found favour with the Fund Managers as growth is expected to improve.
IT	View –Neutral • Results for IT stocks were muted but better than expectations in many case. • Hiring remains muted; attrition stabilizing around 12–13% • While the valuations of Largecap IT stocks are looking reasonable, the growth quotient is missing. While the Fund Managers are largely underweight, they are gradually cutting/looking to cut their underweight positions as they expect growth could surprise positively in next 2-3 quarters. • Midcap IT companies are looking richly valued and the Fund Managers may be looking to cut exposure.
Pharma and Healthcare	View – Neutral • Companies with exposure to both India and US generics could start to bottom out as the impact of a key drug (Revlimid) wears off. Tariff announcements could be a risk. Anti-obesity players in India could see some interest from investors. • Fund Managers are looking at very stock specific opportunities and adding weights to plays like hospitals and diagnostics. • Hospitals are being looked upon as structural consumer affluence plays.
Auto	View –Positive • The GST cuts have driven demand for the passenger car and two-wheeler segments in the medium-term. • Fund Managers have trimmed their overweight positions marginally, post the recent rally. Continuation of robust volume growth is a key monitorable. • Export oriented Auto Ancillaries have priced in the impact of US tariffs and any positive announcement could see upsides for that sector. • Strong liquidity support by RBI and falling interest rates are likely to be positive for consumption demand for Autos.

Sectoral outlook by Fund Managers – Part 2

Sector	Particulars
Construction & Real Estate	View – Neutral to Positive - Housing segment is seeing a gradual bounce back in the upper-end of the segment. - The Government's focus is on infrastructure and investment cycle and has seen strong spending recently. This spending growth rate may gradually taper off in the next few quarters due to strong base in the last quarter of FY25. 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 and Home improvement plays.
Consumption	View – Consumer Services – Neutral to Positive, Consumer Durables and FMCG- Neutral to Positive - Staples – Alcohol companies have seen traction. GST rate cuts are also driving Fund Managers to cut underweights in FMCG product companies. - Hotels/Travel – Valuations are rich, no incremental weights being added. Fund Managers are not looking to cut current exposure. - 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 are high, focus is on Value Apparel Retailers, growth trajectory expected to decelerate. Earnings have disappointed in the QSR space. Consumer Tech companies are seeing strong overweights. 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 –Negative - With the Government spending growth likely to get more sharpened to fewer sectors, aggregate capital investment growth may take a backseat after many years of robust growth. - US tariffs have also been a dampener for the capital goods exporters. Fund Managers feel that valuations in the sector too seem to be at cyclical peaks. - Fund Managers may look at incremental opportunities in this segment, where earnings visibility remains strong. - Power Transmission, Nuclear Energy and Electronics (import substitution) continues to be the positive themes for capex.
Metals	View – Positive Metals remain a tactical play. China anti-involution to support.

Sectoral Movement

Absolute Monthly Return By Sector (%)

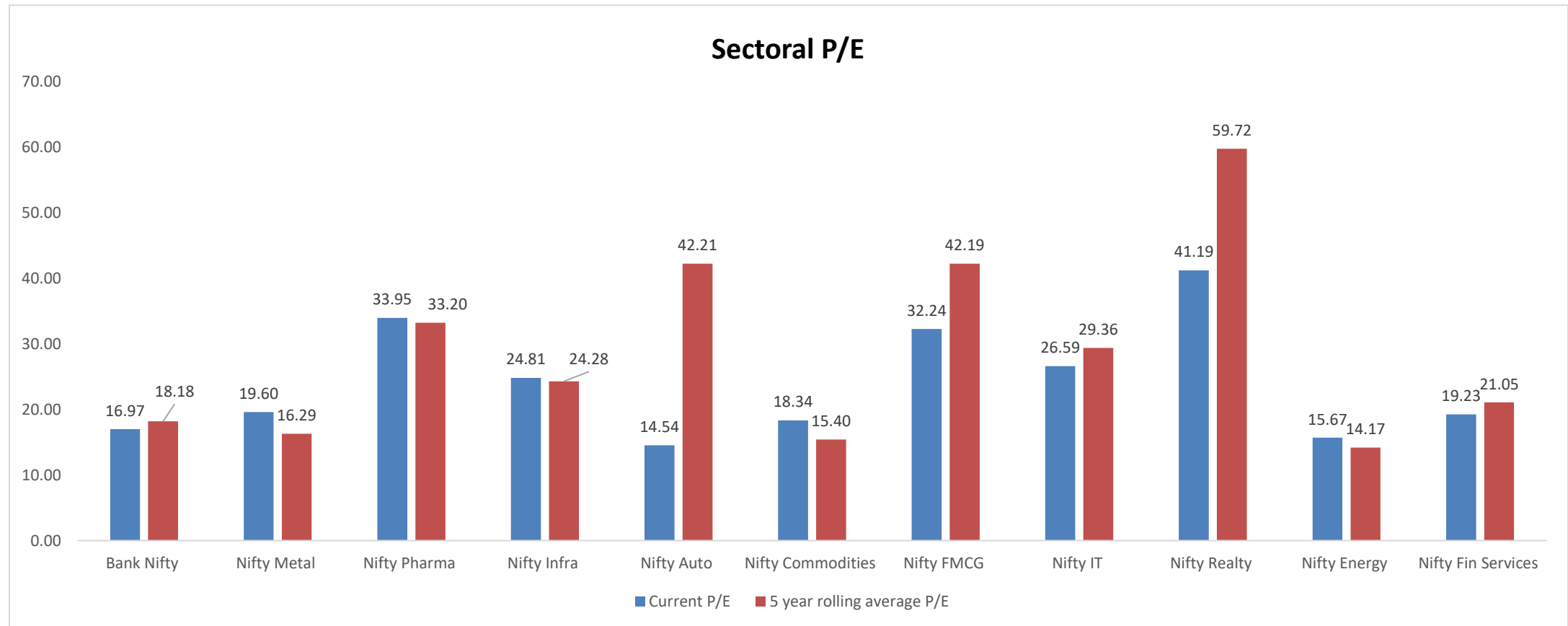
Index	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25
BSE 500	-0.03	-1.50	-3.49	-7.85	7.29	3.16	3.39	3.43	-2.87	-1.93	1.21	4.20	0.86
Auto	-1.20	-2.33	-0.26	-11.00	4.02	4.73	4.73	2.24	-1.11	5.78	5.89	1.04	3.14
Bankex	1.08	-2.62	-2.57	-2.50	8.55	5.17	0.85	1.62	-3.24	-3.34	2.48	5.56	3.10
Basic Material	-1.90	-3.13	-1.39	-7.22	10.70	-0.62	4.22	5.43	-1.38	-2.36	2.45	2.63	-3.41
Capital Goods	2.31	-4.13	-4.79	-14.39	13.55	0.09	13.24	1.75	-5.66	-4.13	4.39	3.10	-1.70
Consumer Discretionary	0.23	0.00	-7.01	-10.36	4.40	3.98	4.32	3.49	-1.47	2.52	0.96	1.91	-0.18
Consumer Durables	2.99	3.15	-10.22	-8.45	2.67	5.65	0.86	3.17	-0.52	1.96	-4.85	4.97	2.16
Energy	-3.31	-3.96	-0.67	-9.09	9.46	5.02	1.95	3.09	-4.70	-3.87	4.22	5.82	-0.42
FMCG	-2.08	-2.08	-1.04	-10.57	5.79	5.17	-0.71	-0.33	1.61	0.21	-2.44	2.75	-1.22
Finance	0.53	-1.67	-2.90	-3.02	7.97	4.61	3.08	3.43	-2.66	-3.82	2.34	4.78	2.30
Healthcare	-0.57	3.69	-7.67	-8.59	8.40	1.91	0.93	3.88	2.51	-3.86	-1.25	3.38	0.80
IT	5.83	0.95	-2.85	-12.58	-1.52	-2.97	5.26	3.33	-8.69	-1.07	-3.64	5.51	3.69
Infra	-2.57	-3.54	-3.88	-13.81	12.36	0.70	5.03	2.72	-3.81	-4.75	4.44	3.21	-2.78
Metal	-2.38	-5.39	-1.12	-1.98	10.07	-5.76	5.89	3.04	-2.56	-1.61	9.43	5.64	-2.89
Oil & Gas	-2.35	-2.79	-2.44	-11.23	11.34	5.40	2.03	3.10	-3.84	-4.69	5.36	6.43	-1.51
Power	-4.34	-7.00	-5.92	-12.06	14.32	0.90	2.37	1.95	-3.45	-4.56	5.04	3.14	-4.51
Realty	1.93	3.45	-13.16	-13.42	6.63	3.99	7.21	3.84	-7.33	-4.48	-0.36	9.20	-4.69
Telecom	1.55	-2.53	-3.32	-10.25	6.84	8.73	3.55	6.10	-7.79	-4.48	0.48	7.22	2.40
Utilities	-6.50	-6.57	-5.48	-10.61	15.05	1.02	-0.85	2.95	-2.20	-4.47	5.11	3.18	-5.57

The abovementioned sectoral indices pertain to the BSE universe

Colour scales assigned vertically

Source: Ace MF, HDFC Bank Research

While sectoral valuations have improved vs. long term averages, earnings growth trajectory has weakened in many cases



Source: Bloomberg
Data as on 28th November 2025

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	7.08%	31.11%	6.30%	7.61%	6.37%	6.53%	4.05%	7.81%	0.13%	10.99%	0.14%	6.28%	3.45%	0.26%	1.89%
360 ONE	5.65%	32.37%	15.37%	4.20%	0.89%	9.00%	4.95%	4.45%	0.00%	2.72%	0.00%	4.30%	8.72%	0.20%	2.87%
Aditya Birla SL MF	8.75%	29.82%	5.86%	6.72%	6.18%	8.15%	3.81%	9.27%	0.03%	6.73%	0.46%	6.69%	2.99%	0.56%	1.84%
Axis MF	8.77%	25.11%	10.69%	7.36%	2.74%	11.41%	4.07%	5.39%	0.03%	3.87%	0.45%	9.86%	3.83%	0.37%	2.17%
Bajaj Finserv MF	6.50%	28.26%	8.70%	5.12%	6.05%	10.61%	5.90%	4.58%	0.11%	3.30%	1.26%	12.56%	1.20%	0.92%	2.63%
Bandhan MF	5.46%	30.21%	5.19%	6.03%	5.83%	8.06%	5.60%	6.40%	0.10%	6.19%	1.07%	8.16%	2.24%	0.98%	2.85%
Bank of India MF	6.41%	21.94%	14.40%	11.10%	3.62%	5.96%	3.53%	4.34%	0.41%	5.89%	0.36%	8.40%	2.69%	1.23%	2.33%
Baroda BNP Paribas	9.57%	24.30%	8.55%	6.75%	5.10%	9.69%	2.81%	5.58%	0.00%	9.27%	0.60%	9.79%	2.60%	0.16%	1.33%
Canara Robeco MF	8.85%	24.90%	9.39%	5.46%	6.57%	13.70%	3.49%	6.09%	0.08%	5.13%	1.00%	7.68%	2.63%	0.39%	1.67%
Capitalmind MF	8.30%	28.80%	4.80%	8.02%	4.68%	6.35%	0.00%	1.12%	0.00%	0.00%	0.00%	15.22%	3.24%	1.92%	2.99%
DSP MF	8.75%	25.36%	7.88%	8.52%	3.86%	5.88%	3.78%	7.25%	0.00%	6.98%	0.25%	12.23%	2.46%	1.00%	0.98%
Edelweiss MF	7.78%	26.50%	11.12%	8.70%	4.81%	9.64%	3.75%	7.05%	0.00%	4.33%	0.09%	9.76%	2.13%	0.96%	1.30%
Franklin Templeton MF	6.40%	25.83%	7.44%	5.89%	4.35%	10.06%	4.87%	8.24%	0.02%	7.60%	0.21%	7.95%	4.04%	0.57%	2.41%
Groww MF	8.89%	42.27%	7.94%	6.21%	1.49%	3.04%	5.28%	3.76%	0.08%	3.62%	0.00%	4.32%	3.41%	0.00%	2.92%
HDFC MF	11.28%	29.57%	6.37%	5.84%	3.10%	6.60%	2.30%	5.81%	0.36%	4.61%	0.14%	10.30%	2.76%	0.40%	3.47%
Helios MF	5.76%	35.93%	10.01%	1.08%	2.85%	12.48%	3.50%	1.88%	0.48%	8.79%	0.00%	5.47%	2.91%	1.91%	6.32%
HSBC MF	5.11%	27.03%	16.38%	4.43%	5.91%	11.02%	5.92%	5.20%	0.00%	3.83%	0.76%	5.99%	1.98%	1.59%	2.30%
ICICI Pru MF	8.62%	24.89%	4.72%	6.93%	3.94%	5.93%	5.41%	8.57%	0.23%	10.93%	1.02%	7.33%	3.28%	0.50%	1.49%
Invesco MF	5.51%	29.39%	8.88%	2.67%	1.51%	15.48%	5.92%	6.43%	0.00%	1.89%	0.79%	13.66%	1.55%	0.01%	4.25%
ITI MF	6.22%	27.70%	13.80%	7.91%	4.34%	8.05%	4.89%	4.93%	0.31%	4.29%	1.00%	10.64%	1.99%	0.74%	1.52%
JM MF	5.22%	32.28%	11.50%	3.32%	5.56%	11.16%	5.04%	7.84%	0.18%	1.51%	0.00%	8.23%	3.25%	1.45%	2.47%
Kotak MF	8.40%	22.33%	10.05%	11.92%	2.94%	10.24%	4.36%	7.38%	0.45%	6.41%	0.09%	8.55%	3.05%	0.20%	1.75%
LIC MF	8.31%	23.37%	18.25%	5.87%	7.37%	5.85%	4.34%	5.05%	0.24%	4.06%	0.73%	7.35%	1.91%	1.02%	2.06%
Mahindra Manulife MF	7.94%	26.45%	10.22%	7.17%	5.20%	7.96%	2.93%	5.79%	0.14%	6.10%	0.33%	10.55%	3.02%	1.48%	1.65%
Mirae MF	8.60%	29.82%	4.53%	5.38%	6.18%	9.02%	4.32%	7.93%	0.00%	6.05%	0.00%	10.15%	4.05%	0.06%	2.73%
Motilal Oswal MF	4.11%	14.93%	21.61%	2.10%	0.69%	25.42%	2.51%	12.92%	0.00%	0.48%	0.26%	3.12%	2.21%	0.37%	0.66%
Navi MF	7.50%	32.08%	12.23%	4.15%	5.24%	7.35%	0.86%	5.99%	1.07%	4.73%	0.90%	7.80%	3.11%	0.39%	2.50%
Nippon India MF	6.93%	25.94%	10.66%	5.03%	6.30%	13.23%	2.76%	4.31%	0.34%	7.83%	0.56%	10.01%	1.06%	0.78%	2.02%
NJ MF	15.26%	26.06%	0.35%	4.20%	17.12%	3.82%	0.00%	12.70%	0.00%	3.24%	0.00%	10.60%	0.00%	2.96%	3.17%
Old Bridge MF	8.89%	13.55%	0.00%	17.22%	6.50%	2.79%	4.80%	8.57%	0.00%	0.00%	1.59%	12.24%	4.97%	0.00%	11.42%
PGIM India MF	7.78%	22.06%	9.89%	9.22%	4.05%	12.72%	2.80%	5.87%	0.00%	3.23%	0.00%	12.06%	2.86%	0.73%	3.61%
PPFAS MF	7.74%	27.53%	0.02%	0.00%	6.07%	2.27%	0.00%	8.79%	0.00%	11.03%	0.00%	3.94%	3.47%	0.00%	3.70%
Quant MF	4.60%	19.01%	3.63%	7.22%	4.96%	3.51%	10.37%	1.75%	1.18%	19.71%	0.88%	11.41%	1.93%	1.67%	1.95%
Quantum MF	16.42%	21.89%	7.82%	4.66%	4.97%	11.89%	0.00%	9.47%	0.97%	2.22%	2.39%	5.02%	0.58%	0.00%	3.34%
Samco MF	13.21%	29.55%	14.16%	8.14%	29.55%	5.27%	1.11%	4.00%	0.00%	0.56%	0.00%	7.48%	1.33%	0.13%	2.59%
SBI MF	8.07%	26.25%	5.34%	8.22%	5.24%	9.06%	3.35%	4.32%	0.17%	9.92%	2.20%	6.71%	2.55%	1.66%	1.71%
Shriram MF	10.29%	35.19%	3.28%	3.29%	2.92%	3.59%	1.47%	7.37%	0.00%	11.89%	0.00%	10.13%	4.68%	0.00%	4.50%
Sundaram MF	6.52%	27.57%	8.15%	5.74%	5.74%	9.92%	3.86%	6.08%	0.20%	6.86%	0.35%	7.68%	4.24%	0.13%	2.27%
Tata MF	4.35%	21.30%	7.46%	7.41%	5.39%	8.08%	3.50%	17.28%	0.18%	6.14%	0.89%	5.79%	2.17%	0.60%	3.37%
Taurus MF	10.08%	22.93%	5.26%	5.45%	9.59%	3.60%	2.81%	10.40%	0.00%	13.58%	0.00%	8.73%	3.49%	0.79%	0.91%
The Wealth Company MF	13.01%	10.08%	9.02%	4.01%	5.78%	6.80%	3.59%	17.82%	0.00%	2.76%	0.00%	3.52%	0.00%	0.00%	2.00%
Trust MF	8.91%	22.62%	18.60%	3.95%	2.85%	8.84%	3.28%	6.03%	0.00%	2.65%	0.00%	10.21%	1.67%	0.00%	4.33%
Unifi MF	5.91%	29.03%	3.94%	4.47%	4.83%	0.98%	4.53%	4.79%	0.00%	6.25%	2.41%	12.76%	5.81%	0.97%	4.96%
Union MF	10.12%	26.04%	13.45%	6.55%	3.32%	11.53%	3.39%	6.73%	0.15%	3.39%	0.00%	7.35%	2.57%	0.43%	1.56%
UTI MF	9.82%	25.23%	6.05%	5.28%	4.03%	14.25%	2.70%	9.90%	0.23%	4.64%	0.45%	8.95%	3.10%	0.54%	1.93%
WhiteOak Capital MF	6.26%	30.92%	9.30%	3.97%	2.94%	8.70%	2.16%	7.97%	0.01%	3.43%	1.76%	10.94%	4.43%	0.09%	2.51%

Data as on 31th October 2025

Source : ICRA Analytics Limited

US trade tariffs by Country... With punitive tariffs, India's position weak vs. peers

Country/Territory	Adjusted Reciprocal Tariff
India	25% + 25%
Afghanistan	15%
Algeria	30%
Angola	15%
Bangladesh	20%
Bolivia	15%
Bosnia and Herzegovina	30%
Botswana	15%
Brazil	50%
Brunei	25%
Cambodia	19%
Cameroon	15%
Chad	15%
Costa Rica	15%
Côte d'Ivoire	15%
Democratic Republic of the Congo	15%
Ecuador	15%
Equatorial Guinea	15%
European Union	15%

Country/Territory	Adjusted Reciprocal Tariff
Falkland Islands	10%
Fiji	15%
Ghana	15%
Guyana	15%
Iceland	15%
Indonesia	19%
Iraq	35%
Israel	15%
Japan	15%
Jordan	15%
Kazakhstan	25%
Laos	40%
Lesotho	15%
Libya	30%
Liechtenstein	15%
Madagascar	15%
Malawi	15%
Malaysia	19%
Mauritius	15%
Moldova	25%
Mozambique	15%
Myanmar (Burma)	40%
Namibia	15%
Nauru	15%

Country/Territory	Adjusted Reciprocal Tariff
New Zealand	15%
Nicaragua	18%
Nigeria	15%
North Macedonia	15%
Norway	15%
Pakistan	19%
Papua New Guinea	15%
Philippines	19%
Serbia	35%
South Africa	30%
South Korea	15%
Sri Lanka	20%
Switzerland	39%
Syria	41%
Taiwan	20%
Thailand	19%
Trinidad and Tobago	15%
Tunisia	25%
Turkey	15%
Uganda	15%
United Kingdom	10%
Vanuatu	15%
Venezuela	15%
Vietnam	20%
Zambia	15%
Zimbabwe	15%

Source: White House, Media Reports

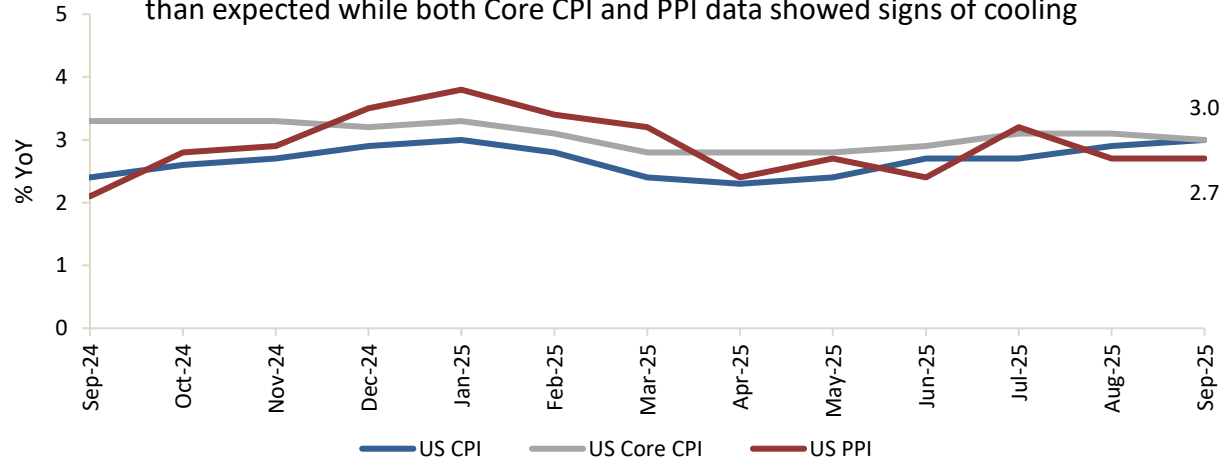
Fixed Income Market

Fixed Income MF Outlook and Strategy – December 2025

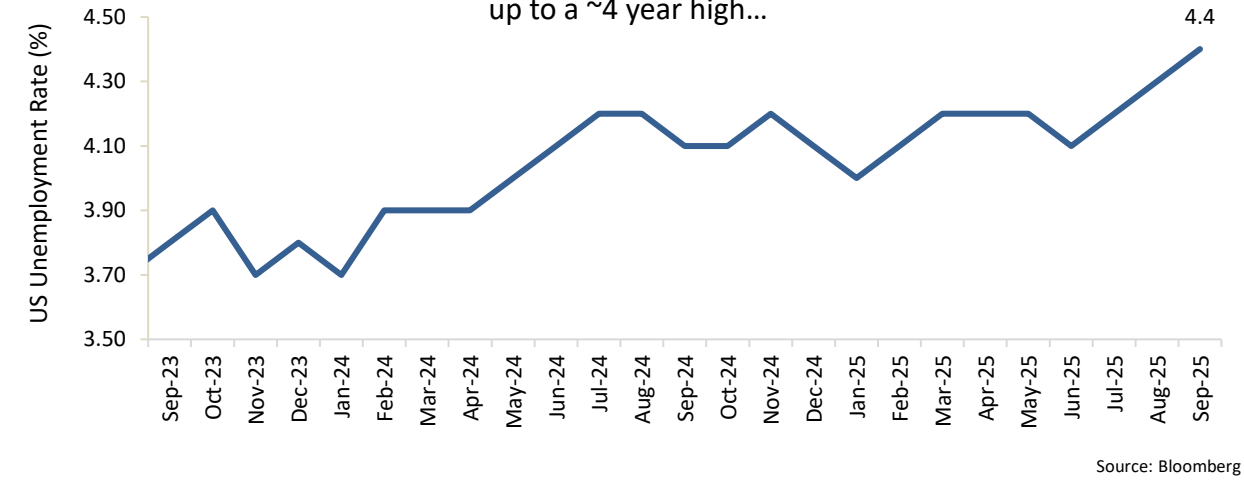
- Despite a gradual reduction over the month, banking system liquidity remained in surplus. The phased CRR cut continued to provide a cushion. Going forward, liquidity is expected to be well managed, but further depreciation of the INR currency in absence of a trade deal with the US may necessitate RBI intervention, which could negatively impact liquidity conditions.
- The Consumer Price Index (CPI) based inflation eased further in October 2025 on the back of deflationary trend in Food prices, rising by 0.25% YoY as against the 1.54% YoY in September 2025. Core Inflation showed marginal moderation to 4.40% YoY in October 2025 from 4.48% YoY in September 2025. Going forward, the CPI Inflation basket is expected to have reduced weightage of food, but the resultant downside to overall inflation may remain limited. Meanwhile, the recent GST rationalisation and healthy reservoir levels are expected to continue to weigh down on both headline and core inflation.
- The delay in signing a trade deal with the US has put further pressure on the Rupee, which weakened despite RBI's forex intervention. Going forward, any positive development around the same may act as a support to the external sector, whereas further delays may become detrimental. Also, RBI's large Dollar short book and impending maturities of the same may create pressure on reserves.
- The continuously favorable GDP and inflation prints may lead the RBI to revise their growth projections upwards and inflation projections downwards in the upcoming December policy meeting. The unfolding dynamics between the weak nominal growth and low inflation seems to have opened up room for the RBI to reduce the real rates. However, depreciating currency may act as an obstacle to policy easing despite there being enough space due to the low inflation prints.
- In the US, despite relative lack of data due to the recent Government shutdown and a growing divide amongst Fed officials regarding the future rate path, the recent uptick in unemployment rate has led to an increased probability of a December 2025 rate cut. Going forward, this will remain a key monitorable.
- Despite a mild uptick, inflation in the EU remains anchored to their medium-term target. With visible domestic resilience, the ECB may maintain their pause on further policy easing despite persisting global uncertainties.
- Globally, Central banks of key economies have been providing policy support to support growth amidst geopolitical concerns. Going forward, policy easing is expected to remain central to the revival of sentiments in most major economies, barring Japan where we may witness rate hikes.
- Commodity prices remained range bound in November 2025. If the same trend continues, it will weigh down on inflation, giving Central banks more space to look at policy easing.
- Continuous pro-growth policy actions by the RBI and supportive inflation print due to GST rationalisation may ensure structurally lower interest rates over the medium-term.
- SDL demand, beyond the need-based requirement from insurance companies, and overall corporate bond demand has remained muted, which has kept their spreads against G-sec elevated. Thus, Fund Managers are playing for accruals in Corporate Bonds and SDLs even at the longer end.
- The higher than expected GDP print along with widening fiscal deficit has led to marginal steepening of the G-sec yield curve which has kept term spreads elevated, creating further opportunities for Dynamic Bond funds which are tactically positioned to take advantage of the same.
- The spread at the shorter end of the Corporate Bond yield curve continues to remain at lucrative levels against G-secs. Liquidity is expected to remain well managed in the neutral to surplus zone, so the curve may steepen further. Thus, a case continues to exist for investment into corporate bond funds that are at the 1-4-year segment of the curve. Hence, investors can look at Corporate Bond Funds for a horizon of 15 months and above.
- For a horizon of 24 months and above, investors may consider Income Plus Arbitrage FoF or consider Dynamic Bond Funds for the tactical opportunity.
- For a horizon of 3 months and above, investors can consider Arbitrage Funds and 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 – Fed's December Monetary policy outcome is expected to be dovish with probable rate cut in sight

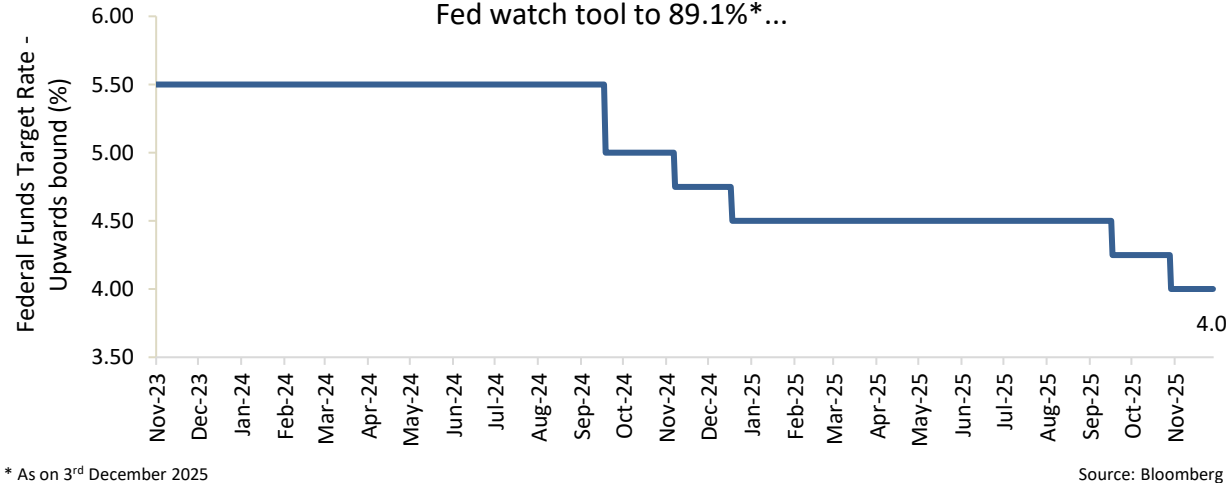
Amidst absence of October data, delayed September CPI data came in lower than expected while both Core CPI and PPI data showed signs of cooling



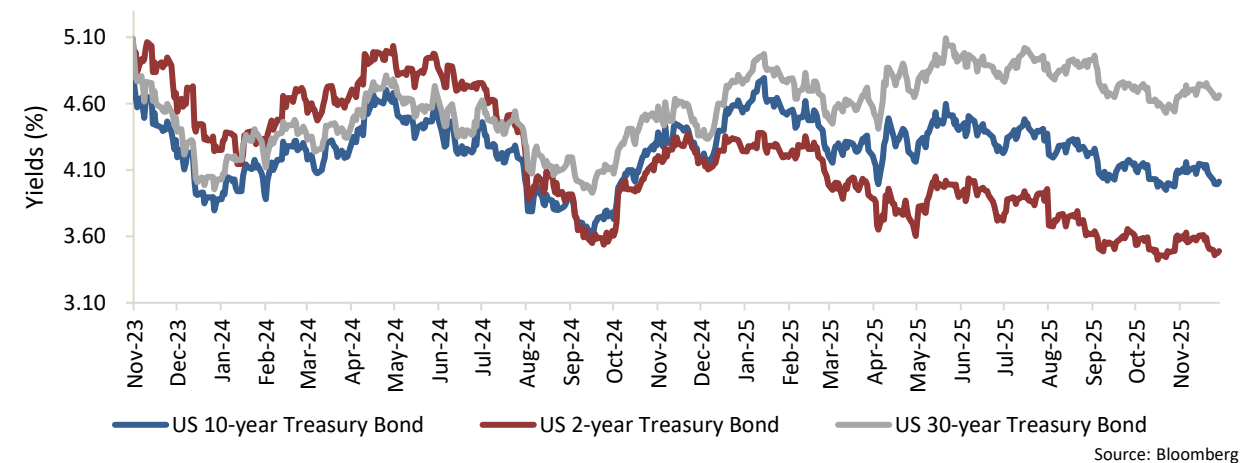
Labour market shows signs of weakening as the unemployment rate moved up to a ~4 year high...



...increasing probability of a rate cut in the December policy as per the CME Fed watch tool to 89.1%*...



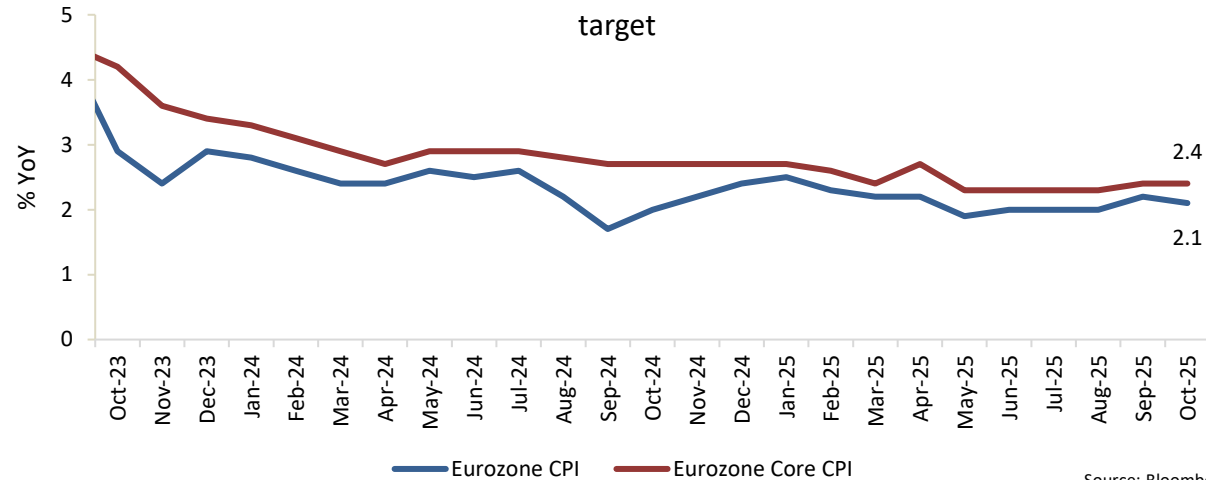
... causing US treasury yields to cool off by the end of the month



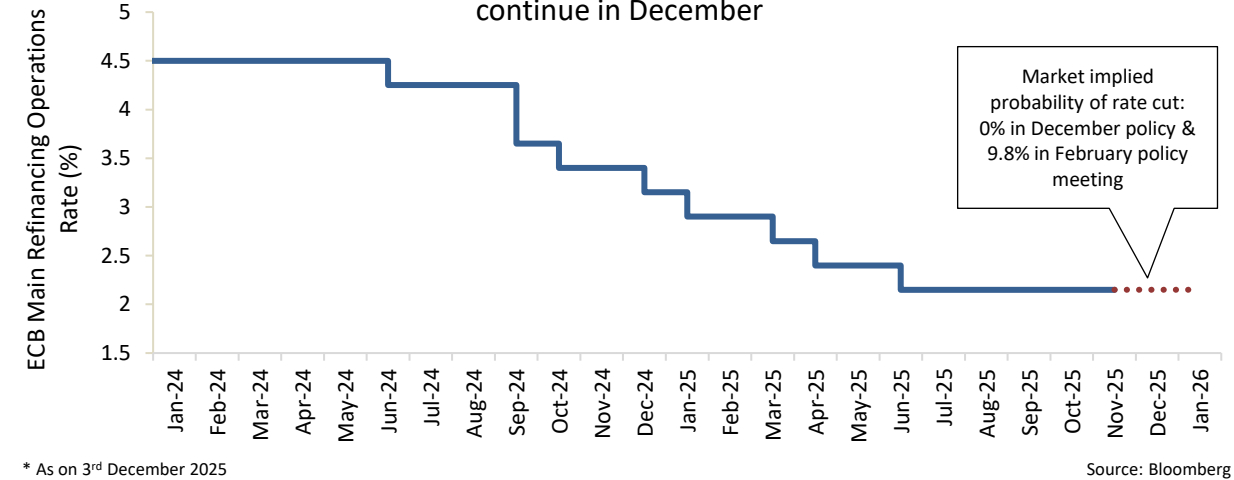
* As on 3rd December 2025

EU – Economic resilience starting to show... ECB may remain on pause mode

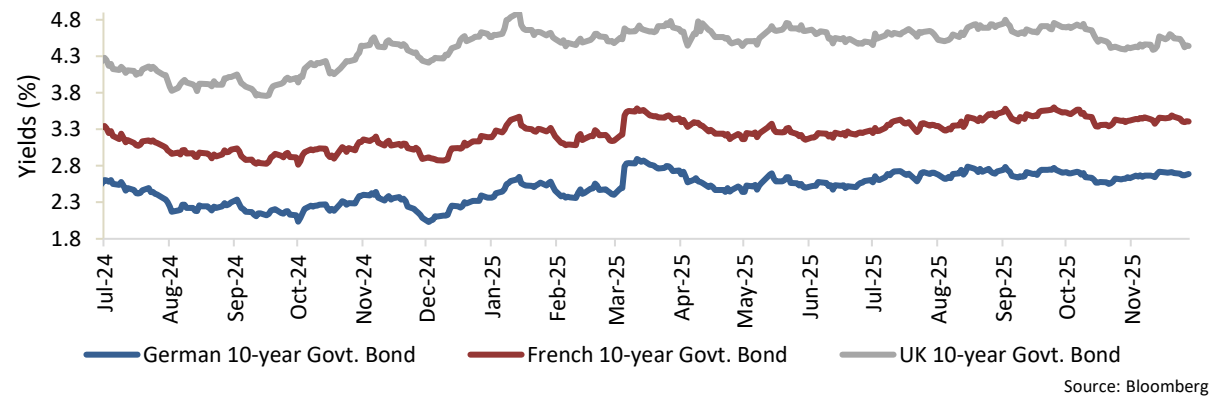
Headline inflation continues to remain well anchored near the ECB's 2% target



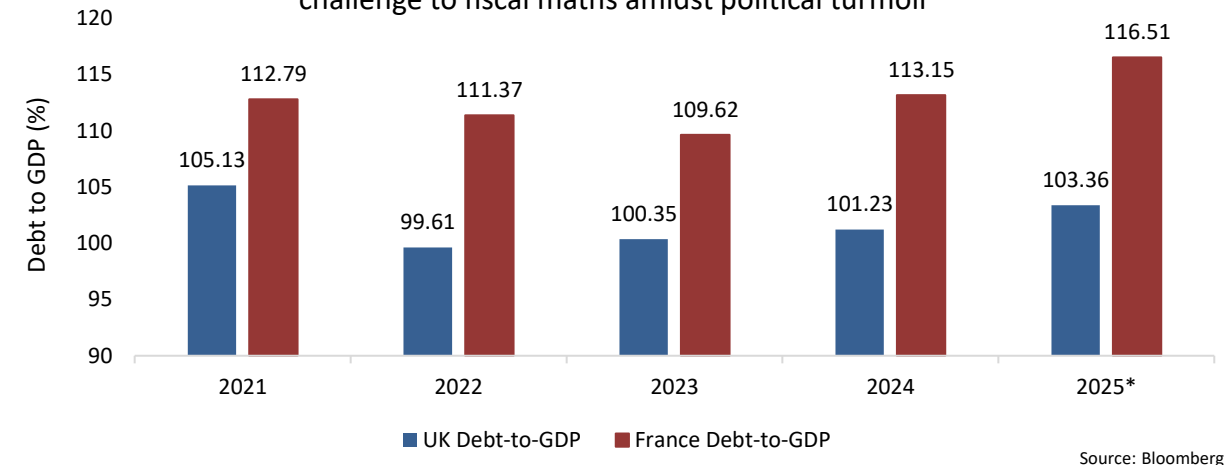
The ECB watch tool shows expectations of the pause on rate actions to continue in December



Mixed economic data and stabilizing US Treasury yields offset the varying regional political developments and fiscal concerns in Europe, keeping bond yields largely within a close range

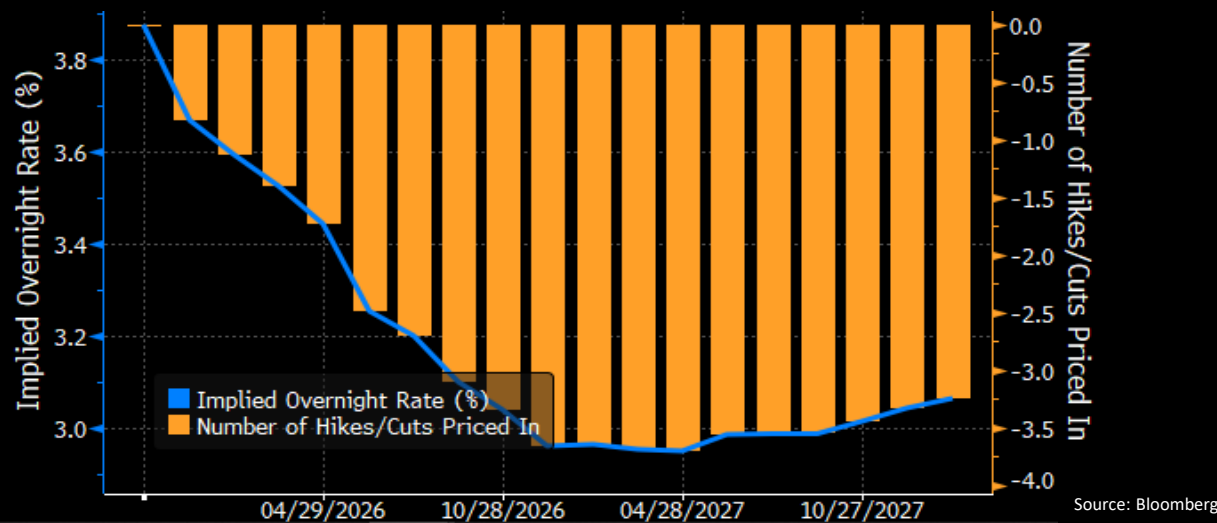


Persistent high Debt to GDP for key European countries continues to pose a challenge to fiscal maths amidst political turmoil



Weakening job market pushing Fed towards rate easing, whereas ECB may remain on pause citing domestic resilience

FOMC continues to remain divided, but market expects rate cuts



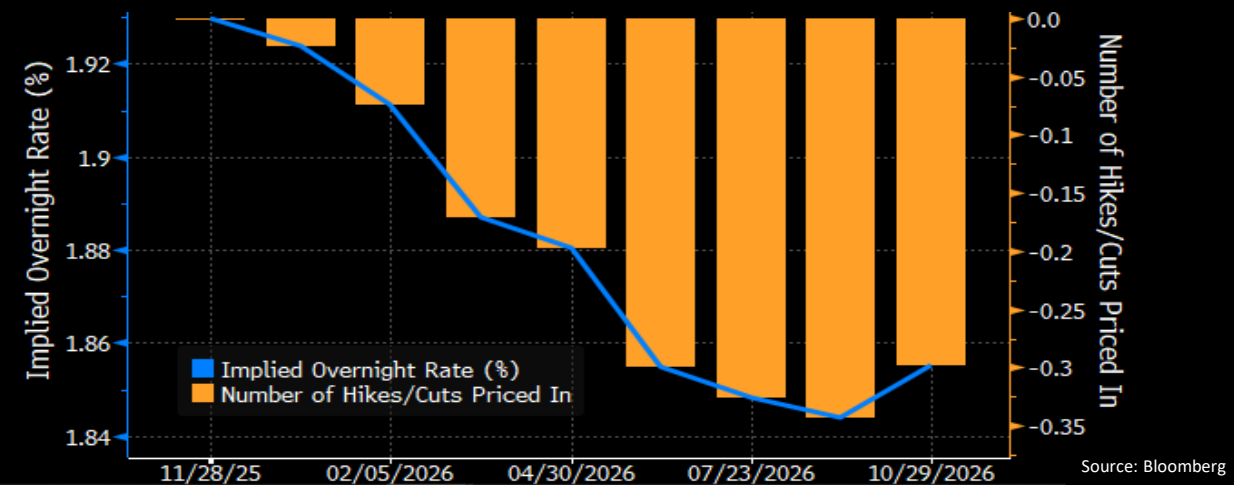
".. First, that the labor market is still weak and near stall speed. Second, that inflation through September continued to show relatively small effects from tariffs and support the hypothesis that tariffs are having a one-off effect raising price levels in the U.S. and are not a persistent source of inflation... Third, despite realized inflation running close to 3% and above target for five years, medium- and longer-term inflation expectations remain well anchored. And, lastly, even excluding the temporary effects of the shutdown, growth in real GDP has likely slowed in the H2 CY25 from its fast pace in the Q2 CY25.

This reading of the data leads me, at this moment, to support a cut in the FOMC's policy rate at our next meeting .."

- US Fed Governor Christopher J. Waller

Society of Professional Economists Annual Dinner, London, United Kingdom

Europe highlights the power of people, potential and policy providing resilience in face of challenges

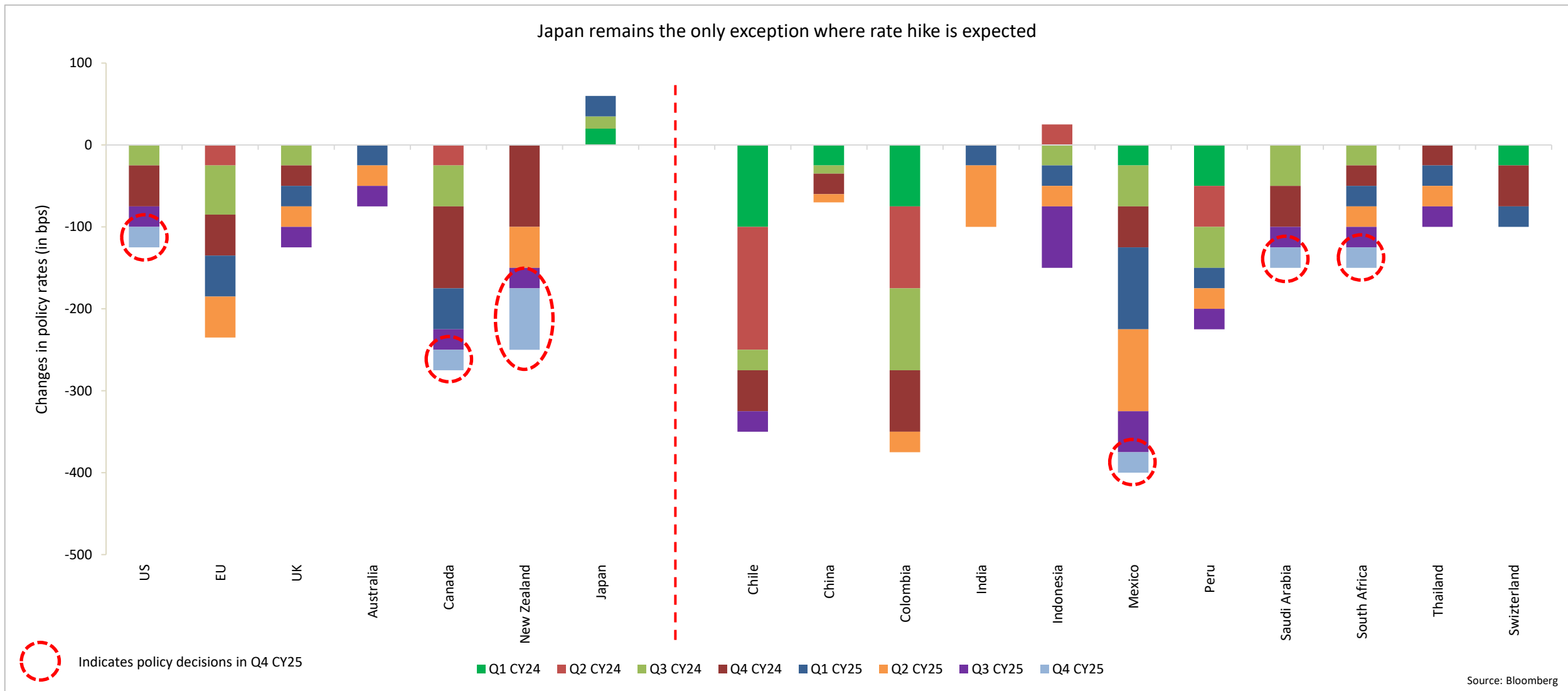


"Together, these three sources of resilience will help anchor growth at home. Domestic demand is set to become the main engine of expansion in the years ahead. And this shift should also help narrow Europe's current account surplus, which has already halved since its peak in 2018.."

- Christine Lagarde

President, European Central Bank
35th Frankfurt European Banking Congress

Global central banks have been on the policy easing path to spruce up their economies amidst geopolitical uncertainties



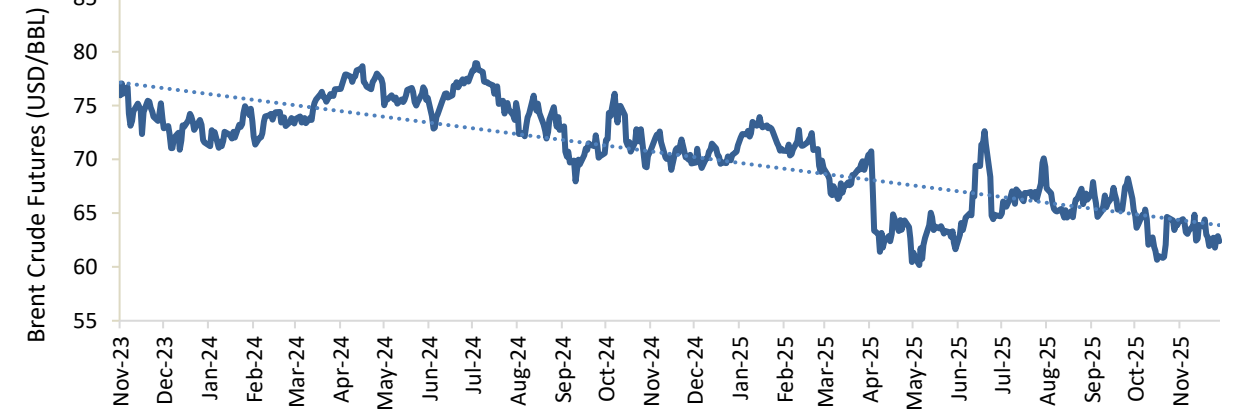
Global Commodities – Prices remain under check... positive for inflation

Metal index saw sideways movement largely on the back of mixed sectoral performance offsetting each other



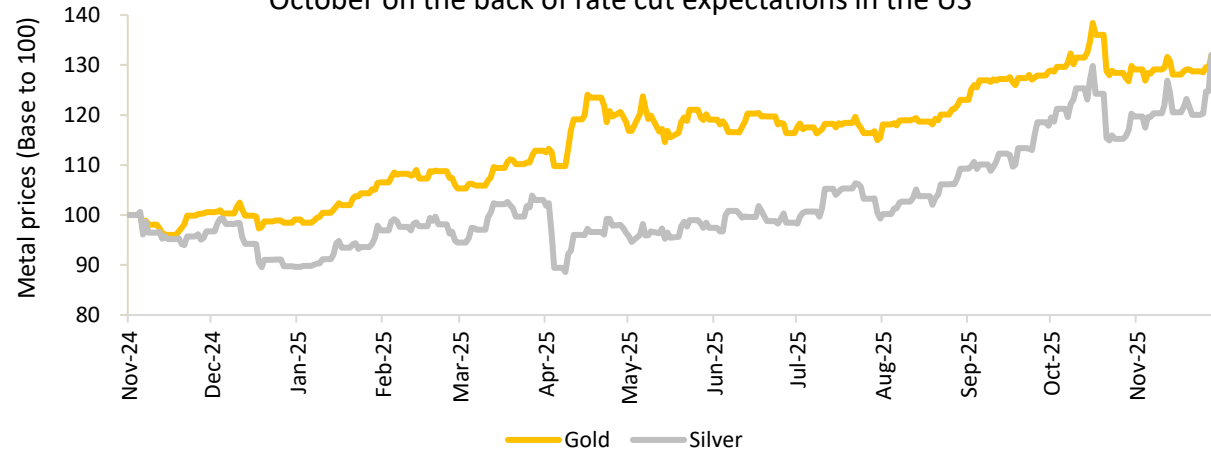
Source: Bloomberg

Easing geopolitical issues, abundant supply, and tepid demand led by slowing economic growth weighed down on crude prices during the month



Source: Bloomberg

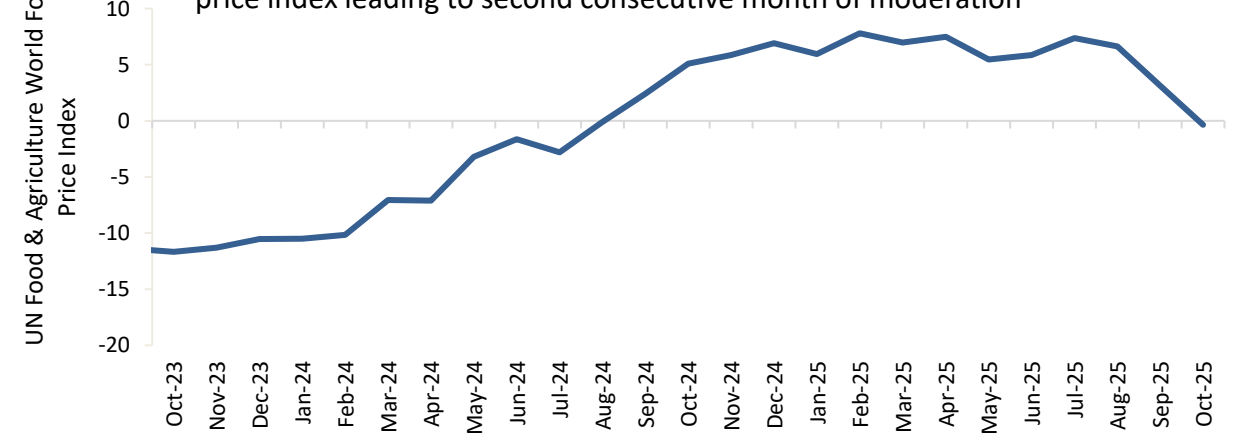
Prices of both gold and silver rose after correcting in the second half of October on the back of rate cut expectations in the US



Note: Price base is 100 on 1st November 2024

Source: Bloomberg

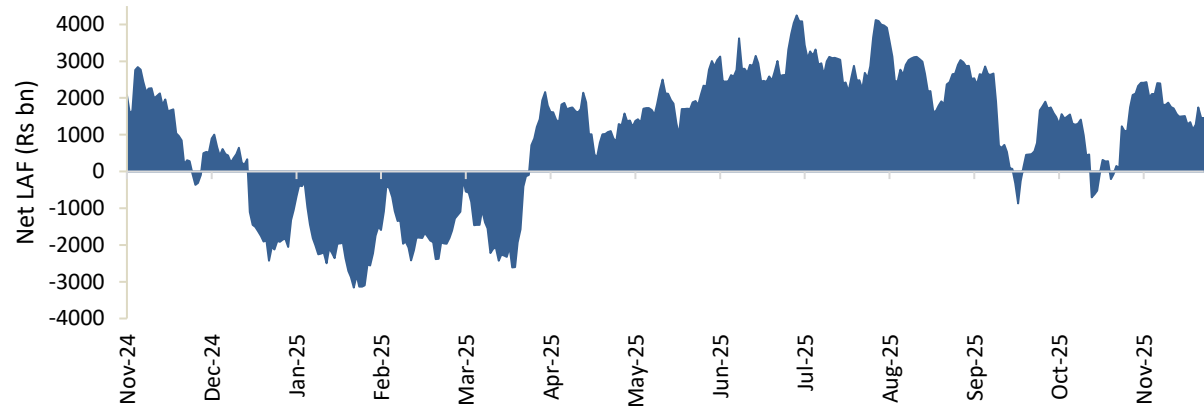
Ample global supplies of sugar, dairy, and meat weighed down on the food price index leading to second consecutive month of moderation



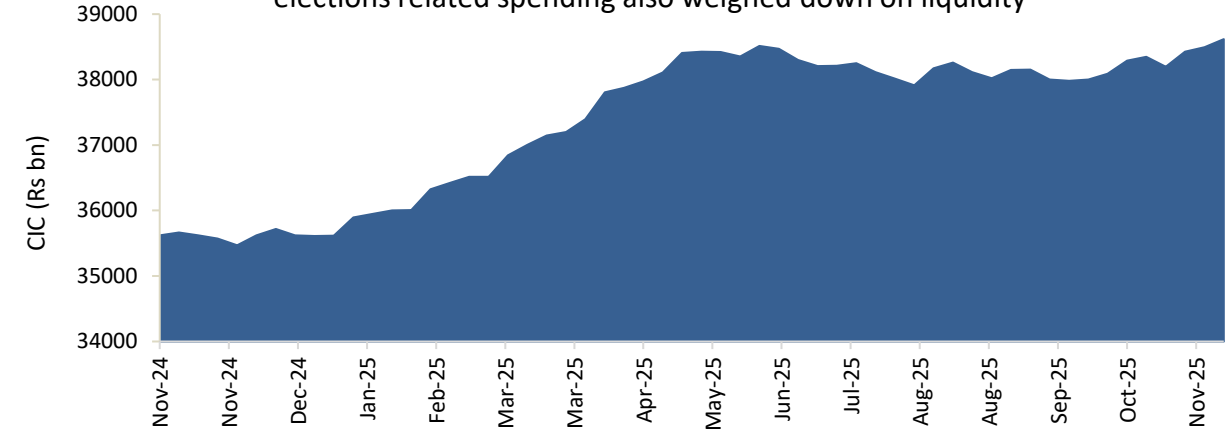
Source: Bloomberg

System liquidity remains in surplus amidst pressure from higher Currency in Circulation and RBI intervention in the forex market

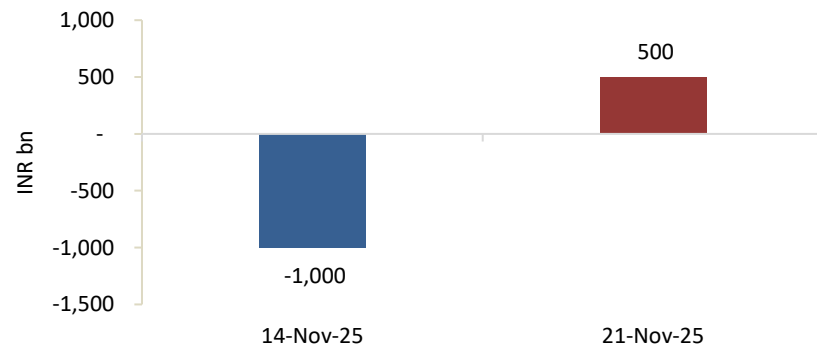
Despite moving back to surplus, Banking system liquidity saw pressure from likely Central Bank intervention in currency market



Currency in Circulation inching up due to seasonal demand and state elections related spending also weighed down on liquidity

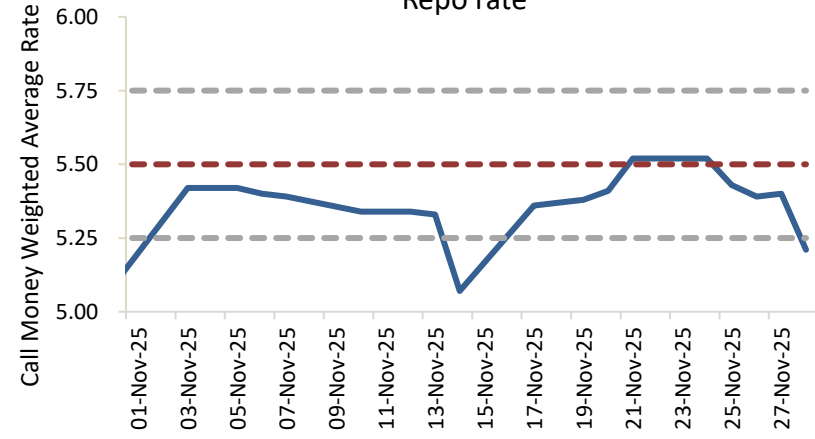


The month saw limited action on liquidity adjustment by RBI as liquidity remained in surplus



Note: VRR is denoted by positive value and VRRR is denoted by negative value

Call money remained comfortable at or below Repo rate



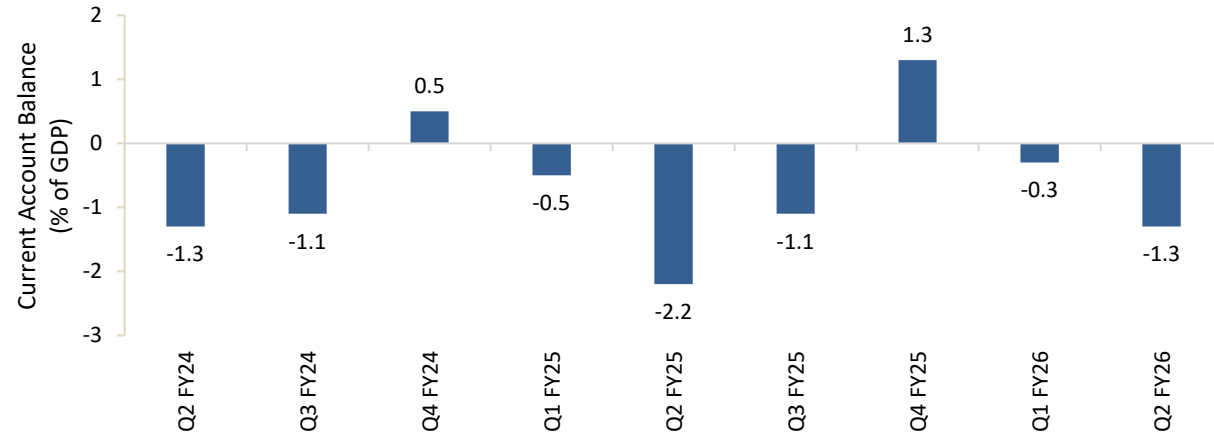
Central Bank's preemptive measures provided some cushion to system liquidity

Particulars	Date	Amount Notified/Budgeted (Rs Bn)
CRR Cut	06-Sep-25	625
	04-Oct-25	625
	01-Nov-25	625
	29-Nov-25	625

Source: RBI

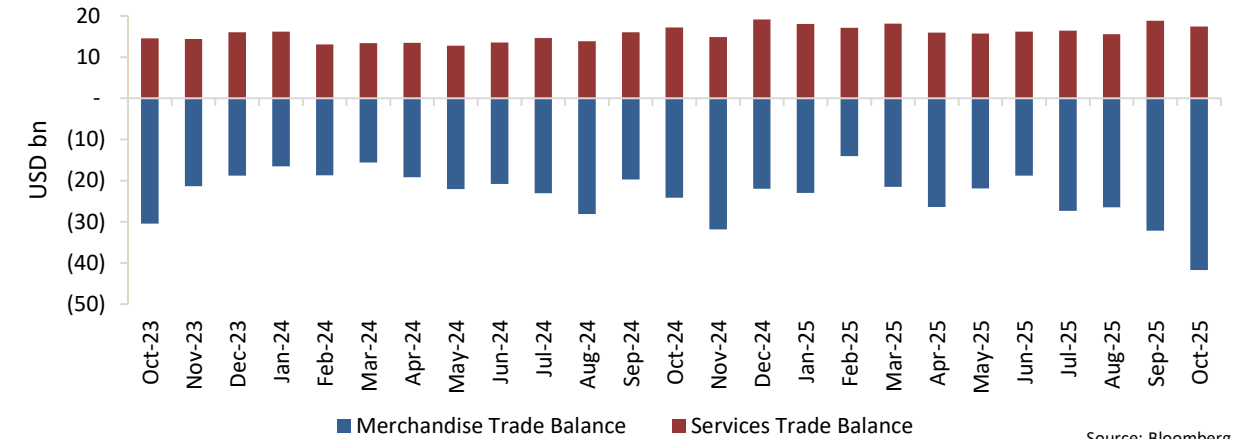
External sector faced challenges in the absence of a trade deal announcement with the US

CAD saw moderation on a year on year basis...



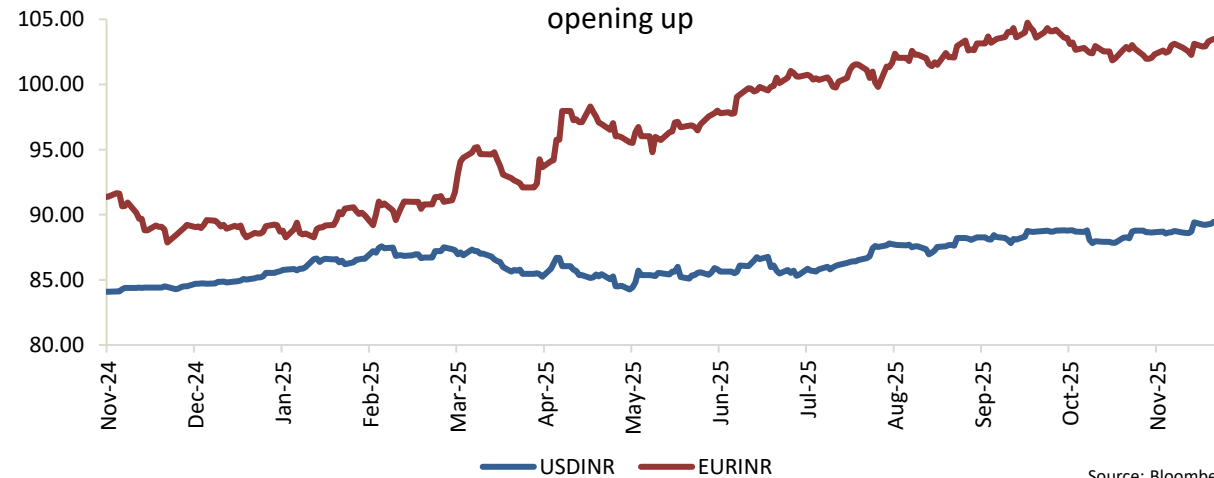
Source: Cogencis; RBI

... despite widening of the Merchandise trade deficit, as it was cushioned by strong Services trade surplus



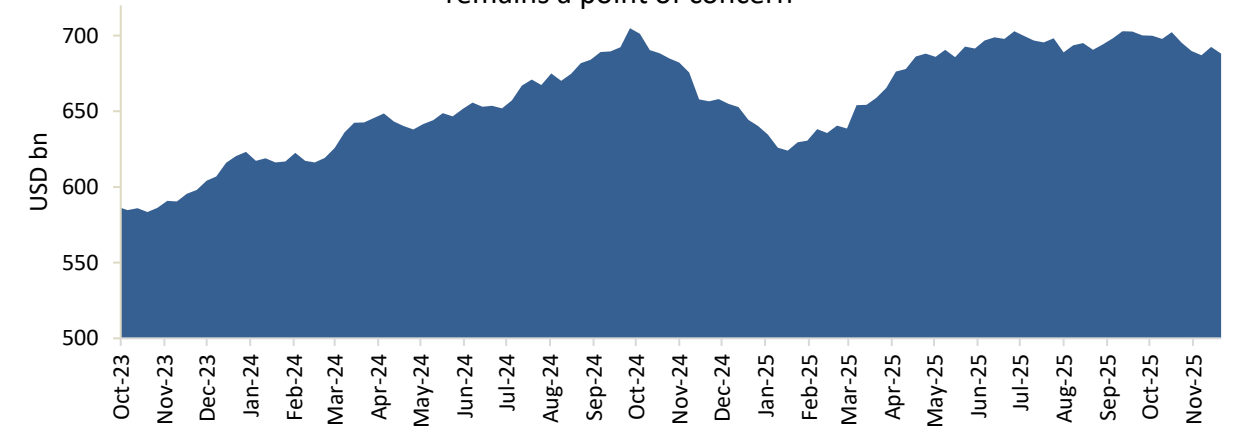
Source: Bloomberg

Weak INR may act as an impediment for further policy easing despite space opening up



Source: Bloomberg

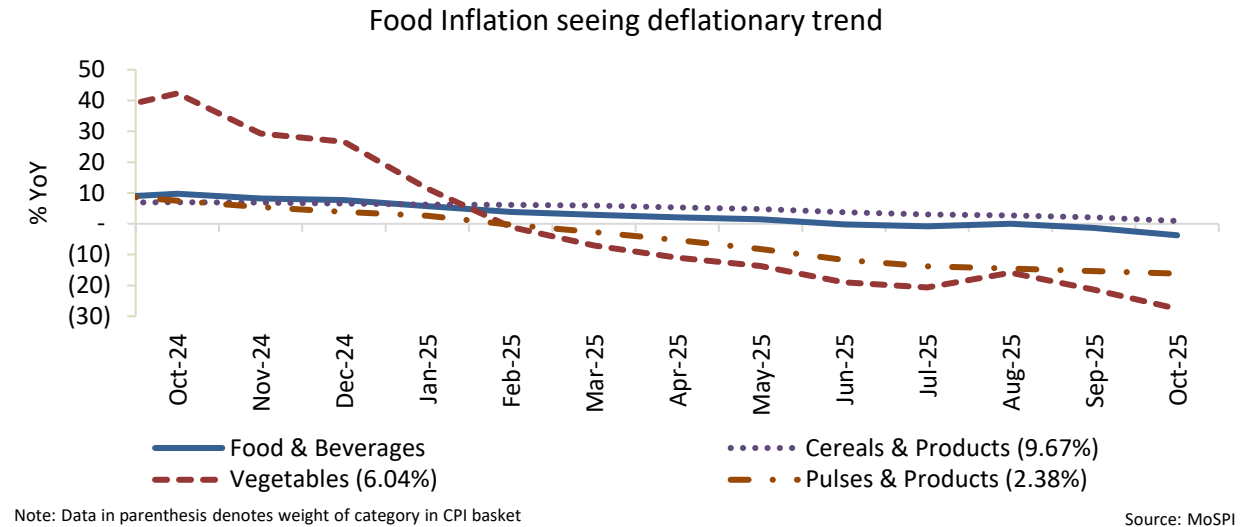
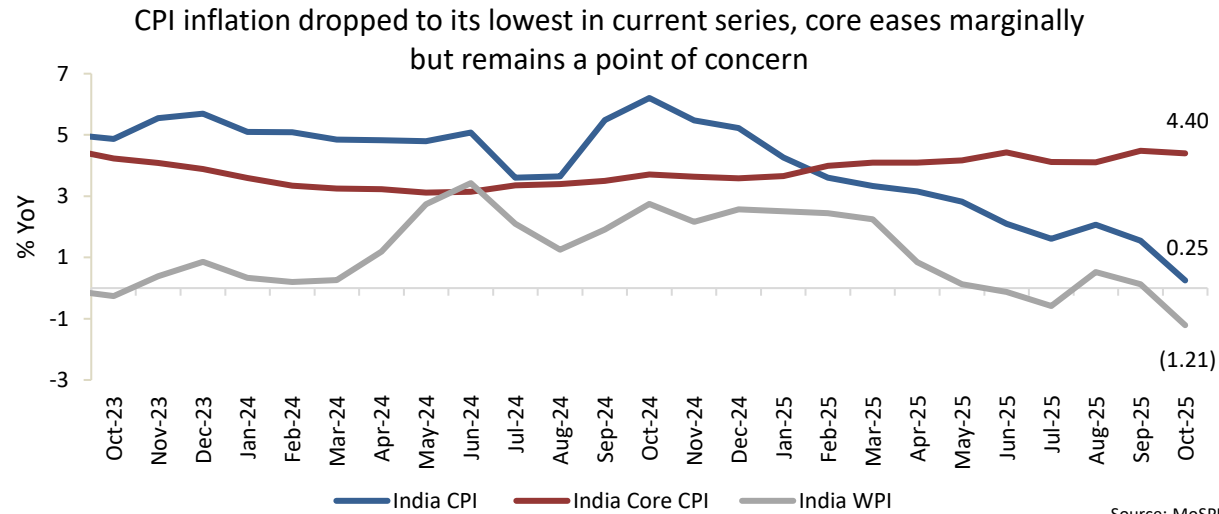
While Forex Reserves remain robust, RBI's Dollar short position of \$63.6 bn remains a point of concern



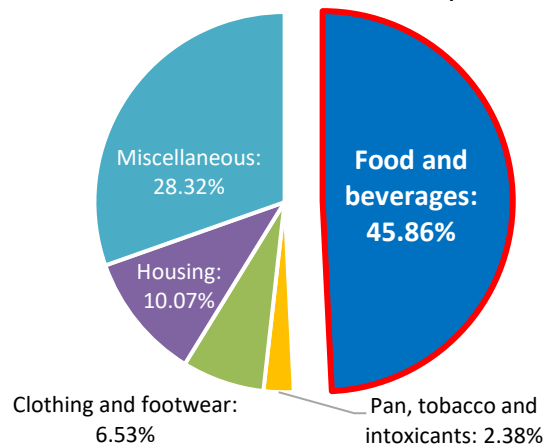
Source: HDFC economics team, as on October 2025

Source: Bloomberg

Headline inflation came in at a record low on the back of deflationary food prices, opening up space for the RBI to ease policy rates further



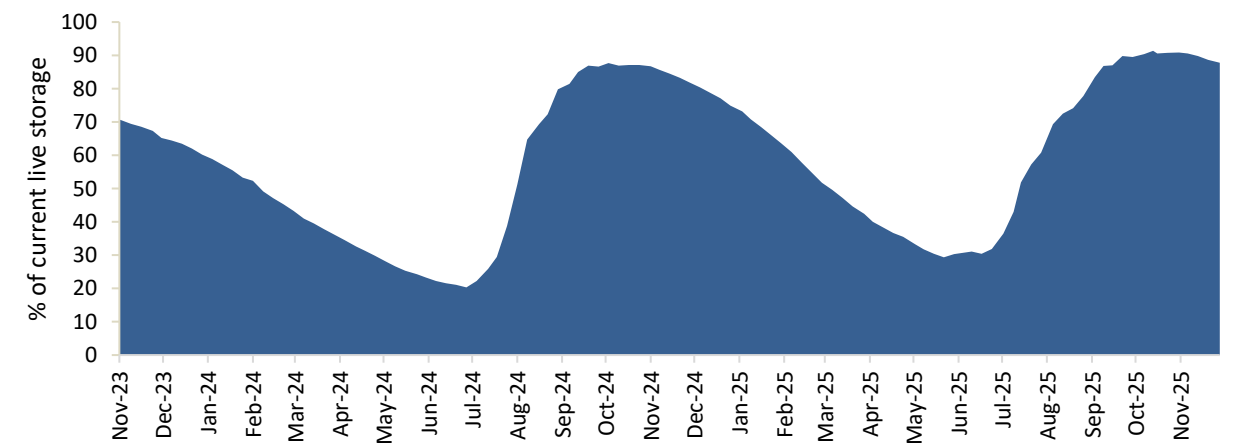
Probable reduction of food's weightage in the new inflation basket to be released in Feb'26 may affect the print, but downside remains limited



% share of Food in avg. Monthly Per Capita Consumption Expenditure (MPCE)		
Period	Rural	Urban
2011-12	52.9	42.62
2022-23	46.38	39.17
2023-24	47.04	39.68

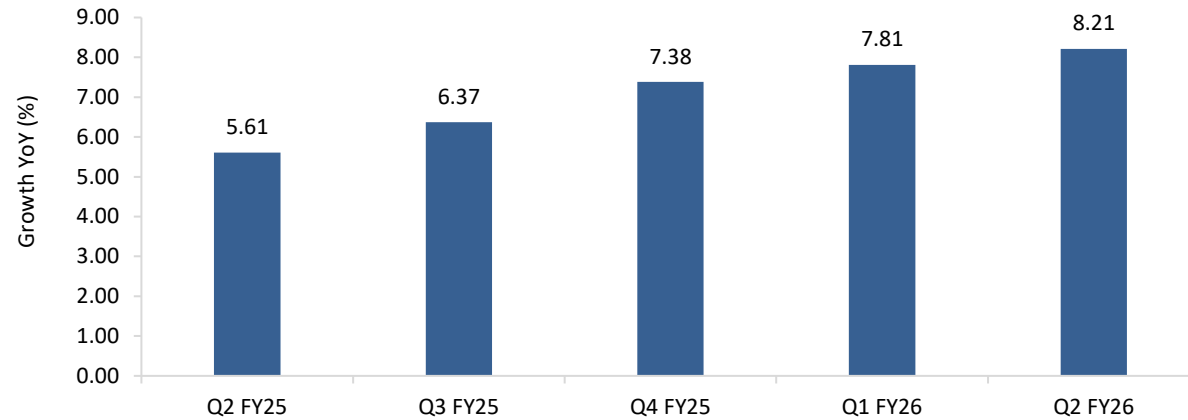
Source: MoSPI, Media Reports

Healthy reservoir levels are expected to weigh down on the inflation print



Higher Q2 GDP print has created uncertainty around December policy outcome which, together with higher YTD Fiscal deficit, pushed up both G-sec yields and term spreads

Real GDP print surprised on the upside, aided by low deflator



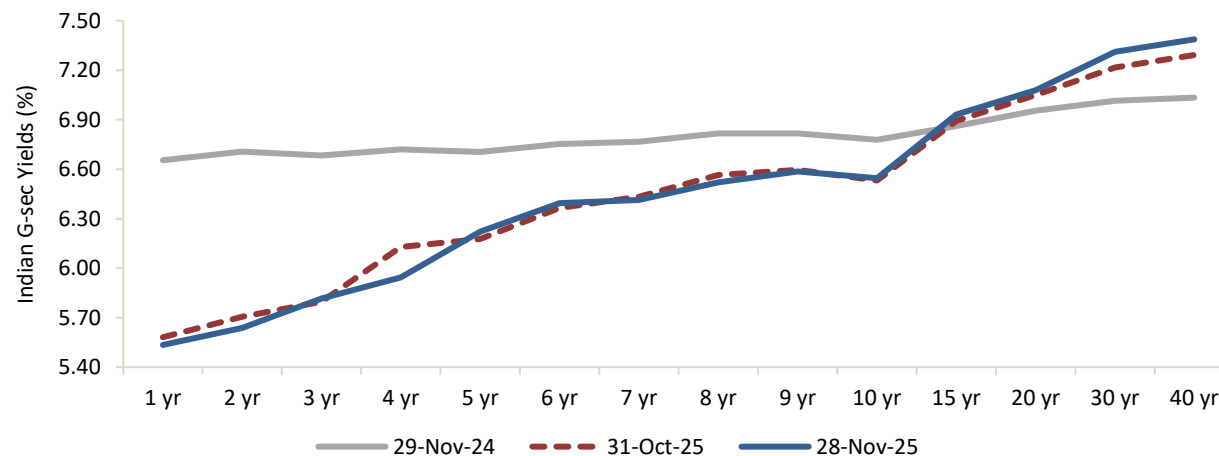
Source: MoSPI

April-October fiscal deficit widened to ~53% of the FY26 Budget Estimate, higher than the previous year's ~47%, on the back of weak tax collections...

Key Fiscal Indicators - Central Government Finances							
Actual (as % of BE) - (Apr-Oct)	FY20	FY21	FY22	FY23	FY24	FY25	FY26
1. Non-debt Receipts	45	32	65	61	59	54	51
a. Tax Revenue (Net)	41	35	68	61	56	51	45
b. Non-tax Revenue	72	30	85	66	88	73	84
c. Non-Debt Capital Receipts	22	7	10	45	27	24	49
2. Expenditure	59	55	52	54	53	51	52
a. Revenue Account	59	56	54	54	53	54	51
b. Capital Account	59	48	46	55	55	42	55
3. Fiscal Deficit	102	120	36	46	45	47	53
4. Net Market Borrowing	118	226	55	67	76	32	48

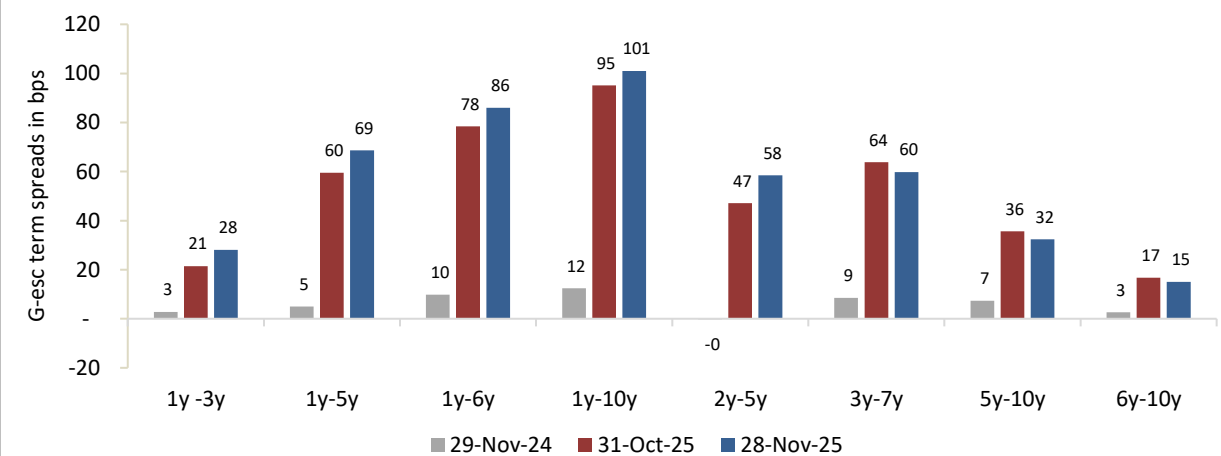
Source : SBI AMC

... driving G-sec yields higher despite RBI governor's dovish statement...



Source: Cogencis, RBI

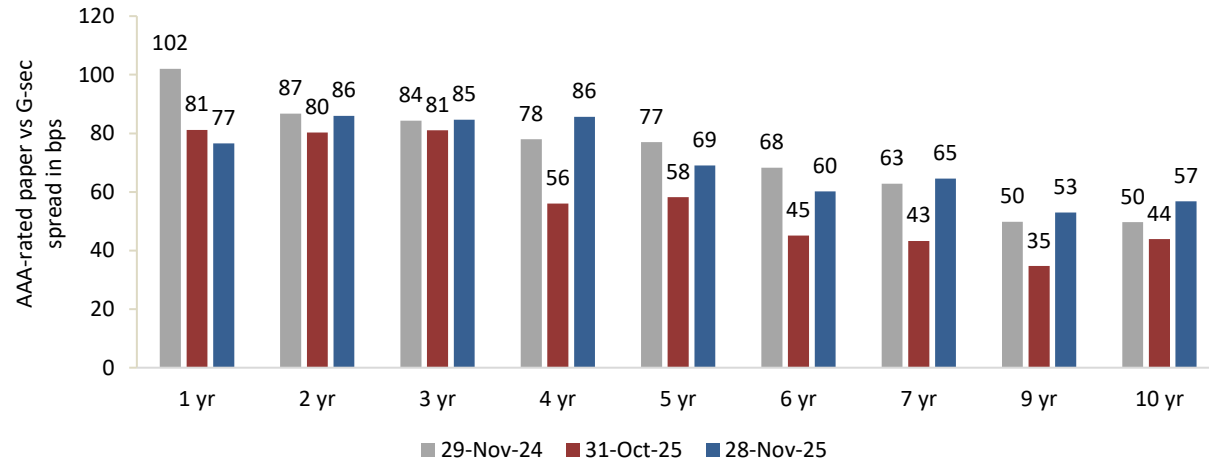
... and ensuring G-sec Term Spreads continue to remain on the higher side



Source: Cogencis

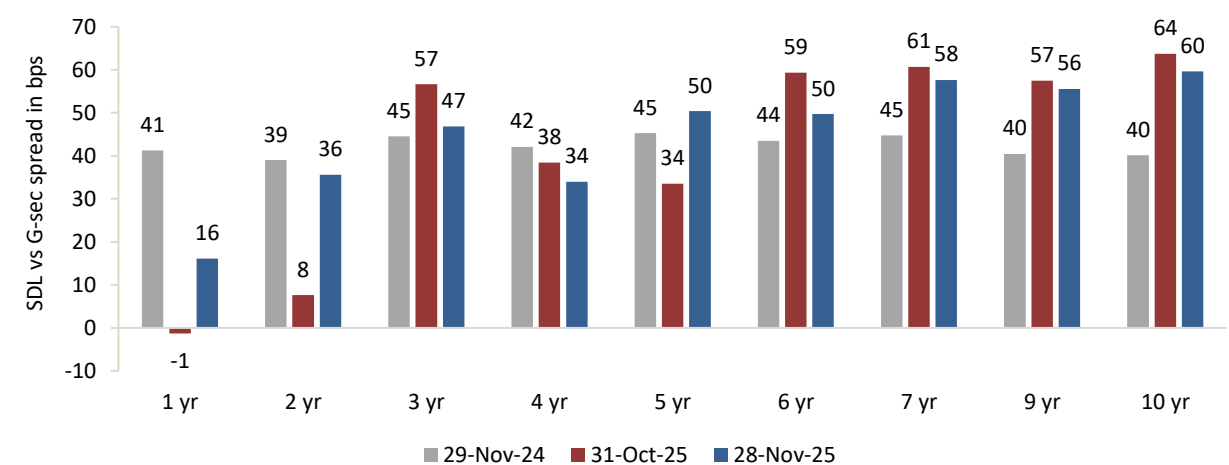
Corporate bond demand was muted, keeping spreads higher across tenors... SDL spreads also continue to remain lucrative... thus providing a attractive accrual opportunity

Elevated Corporate bond spreads continue to provide lucrative accruals



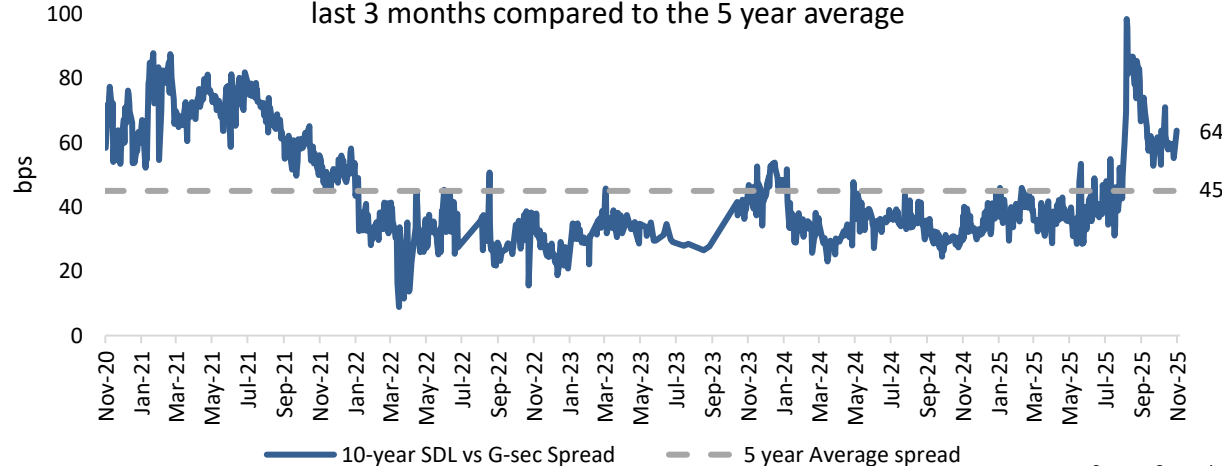
Source: Cogencis

SDL Spreads remained elevated at the medium to longer end



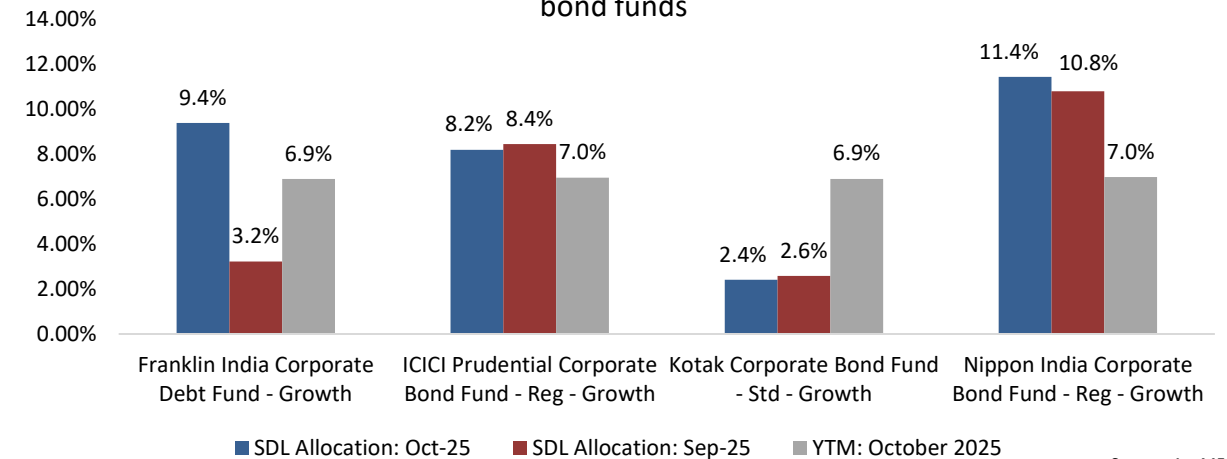
Source: Cogencis

The average spread between 10-year SDLs and 10-year G-secs has shot up in last 3 months compared to the 5 year average



Source: Cogencis

Fund Managers's are using SDLs as a tactical allocation in their corporate bond funds



Source: AceMF

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