

HDFC Bank – Research Presentation

February 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	
	Feb-26	Jan-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	
	Feb-26	Jan-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 – February 2026

- US: Soft landing to no landing... as growth remains resilient
- Europe: Macro conditions stable, friction between US & China squeezing Europe
- Japan: Inflation biting, driving yields higher
- Base commodity prices remain elevated on the back of rising AI-led capex demand and imposition of exports curbs by China
- Emerging Markets: Continue to be on a roll, driven by sustained Dollar debasement and AI-related investments by FPIs
- Union Budget laid emphasis on capex-led growth, improving self-reliance & maintaining fiscal prudence
- Lack of clarity on trade deal with the US, FPI outflows and sliding currency pushed Indian Equity Markets lower in January
- Sectoral performance and FPI flows in January 2026
- India Macros: Data continues to remain robust, trade deals likely to be supportive...sliding currency a key irritant
- Urban Economy: Post GST led high, demand plateauing (ex PV)...sustained pick-up remains key monitorable
- Rural Economy: Economy remains resilient, MSP support to farmers expected to cushion against weak food prices
- Q3 FY26 Results : Aggregate Earnings strong, topline reviving, Large cap Revenue in line with expectations, Mid and Small caps continue to deliver strong earnings growth
- India : With recent correction in valuation and growth expected to pick up on the back of strong macro, fresh trade deals, investment opportunity landscape improving
- Retail investment in Mutual Funds continues to support the market as selling by FPI have been absorbed by DIIs
- Market Roundup – January 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
- US trade tariffs: India gets a better deal vs. EM peers

■ Fixed Income Outlook and Strategy – February 2026

- US – Amidst questions re-emerging about its independence, Fed holds the rates... Markets look for cues from Fed chair nominee Kevin Warsh
- EU – Amidst Greenland Tariff shock, Davos De-escalation and Japanese duration contagion, policy stability in Europe provided support
- Markets are pricing in 2 more 25 bps rate cuts by the US Fed in CY26... No cuts are expected in the EU
- Major Global central banks are likely on the fag end of the rate cutting cycle
- Global Commodities – Trump's tantrums & heightened geopolitical tensions increased risk premiums and safe haven demand for precious metals, pushing commodity prices higher
- Rising CIC and Forex interventions offset a majority of the liquidity support provided by the RBI and kept system liquidity in neutral to marginally surplus range... The India-US trade deal may have a positive impact on liquidity in the near term
- External sector continued to face the 'Trump challenge' via tariff delay and heightened transactional geopolitics, but showed resilience... The India-EU and India-US trade deals likely to be supportive
- Headline inflation continues to remain below the lower range of RBI's target band... In the new CPI series, inflation could see a marginal bump up
- Union Budget: Government continues to focus on fiscal consolidation, however higher than expected borrowing may bring in short term volatility (1/2)
- Union Budget: Government continues to focus on fiscal consolidation, however higher than expected borrowing may bring in short term volatility (2/2)
- Continued focus on fiscal consolidation is expected to be positive for G-sec yields... Higher than expected gross borrowing may add to the volatility... Likely Bloomberg inclusion may support demand
- Demand supply mismatch continues to weigh down on Corporate bonds and SDLs, keeping spreads elevated over G-secs and providing lucrative accrual opportunity
- Disclaimer

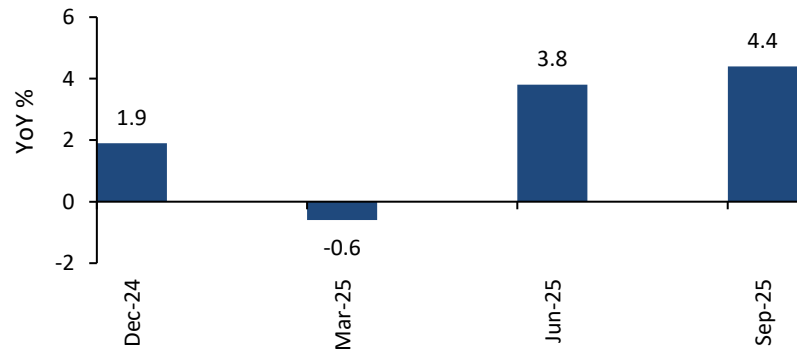
Equity MF Outlook and Strategy – February 2026

- US has seen growth stabilising, despite expectations of recession-like conditions led by AI and semiconductor capex. With higher tariffs getting implemented, the US trade deficits have improved, and the federal government's revenues have seen robust growth. Though with higher product prices for key consumer products seem to be taking some toll on the consumer sentiments. Stable growth sticky inflation and weakening employment data has created a paradox for the US Fed. With the announcement of the new Fed Governor- Kevin Warsh, the markets still expect more policy rate cuts in 2026, with tighter liquidity conditions. 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 stable 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; **recent statements on Greenland and green transition of EU by the US administration suggest that EU is also getting squeezed between US and China friction.**
- Japan has come to the centre of global investment landscape with rising inflation and rising interest rates threatening to unravel decades of carry trade. Weak Yen has been the key reason that such event has been avoided.
- Base commodity prices have seen sharp rally on the back of strong demand from AI and electrification related capex. Crude oil also saw sharp upmove driven by fears of US military action in Middle east.
- 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. For the full year FY26 GDP growth is expected to be at 7.4% YoY and as per economic survey its likely to average about 7% YoY in FY27. The only issue remains the weak nominal growth, that suggests general absence of pricing power. With lower base and steady liquidity supply by the RBI, the nominal GDP growth is likely to improve.**
- The Union budget for FY27, focussed on improving the ease of doing business, supported MSMEs and emerging technologies, pushed for strong capex in Defence, railways and roads, despite managing the fiscal deficit number at 4.3% of the GDP.**
- At the macro level, the PMI data and the credit growth data remain robust. Indicators like Banking sector credit growth have also started to see sustained uptick. The GST reform booster by the government is also supportive of the consumer sentiment in the economy. **The India-EU trade deal and the India-US trade deal is likely to work as a large global counterweight to China and should be received as a major positive. Post the announcement and successful conclusion of the India-US trade deal, The FPI flows are also expected to abate and reduce the uncertainty in the equity and currency markets.**
- Urban demand** has gradually cooled post the GST fuelled upside. While passenger vehicle growth remains steady, areas like hotel occupancy, air traffic passenger growth and credit cards spends seem to be peaking. 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.
- 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 and strong Rabi sowing the rural economy is likely to deliver robust growth. The key to improving incomes of the rural population remains the ability of government to continue to insulate the farm produce from the declining food prices, by strongly enforcing MSPs.
- The Q3 FY26 earnings season has been reasonable stable with no large negative surprises. The earnings are sectors like Banking, IT and Pharma has remained stable while metals have seen strong uptick. Banks seem to be battling with the NIMs compression due to tight liquidity conditions, that is expected to improve. Midcap and small cap earnings too have been steady and in line with broad expectations. With correction in the prices, this is likely to gradually bring their valuations in comfort zone. Large caps continue to be more reasonably valued with more predictable earnings trajectory and hence could continue to see better performance.**
- 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.
- Pose the recent corrections valuations have come off, though the markets are still not cheap. Selling pressure from FPIs is also likely to come off given their underweight stance on Indian and the announcement of the India-US trade deal which reduces strategic uncertainty of the FPI on India. The Government on its part has rationalised GST rates and is focussing on getting favourable trade deals done to improve the long-term growth potential and improve domestic consumption. The implementation of the 8th pay commission would also act as a big demand driven for the economy in the medium term. Market participants also expect strong liquidity infusion by the RBI to keep growth buoyant. If further support comes about, the markets are likely to take that positively.**
- With improvements in earnings performance, opportunities in the Indian equity market may get more broad based in the set of stocks which deliver incrementally better revenue/earnings growth. 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 FPI's holdings in Indian markets have also fallen to recent lows which implies that they may not be willing sellers for long.**
- With the expected change in the FPI flows and improved domestic liquidity support, along with the favourable trade deals being announced, the earnings growth is expected to pickup from here on. We change with investment deployment strategy to 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.**

US: Soft landing to no landing... as growth remains resilient

US Quarterly GDP Growth

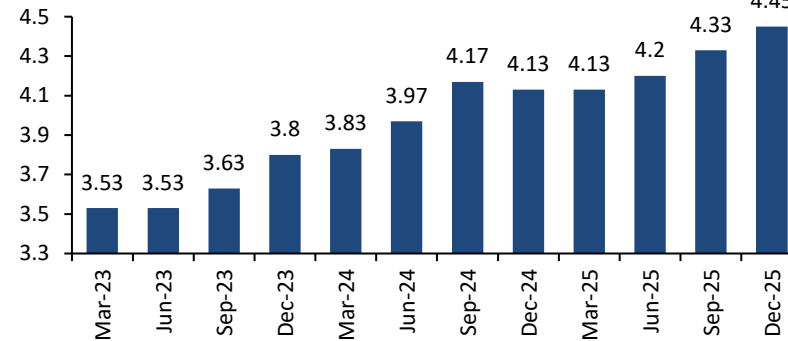
Growth remains resilient...



Source: Bloomberg

US Unemployment Rate (%)

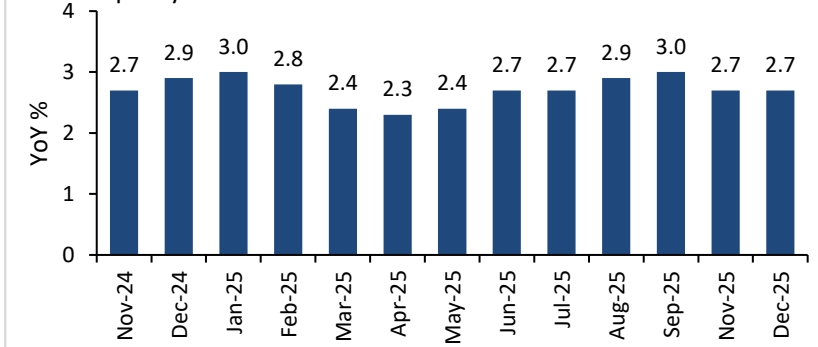
Unemployment inching up despite strong GDP growth



Source: Bloomberg

US CPI

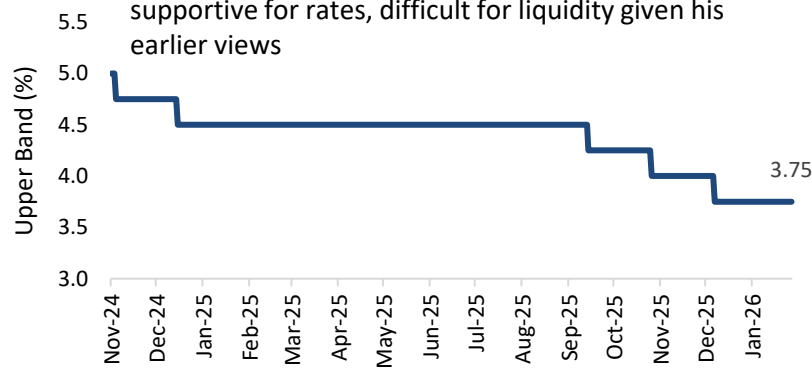
Inflation remains sticky creating a paradox for Fed on policy rates



Source: Bloomberg

US Fed Funds Rate remained stable

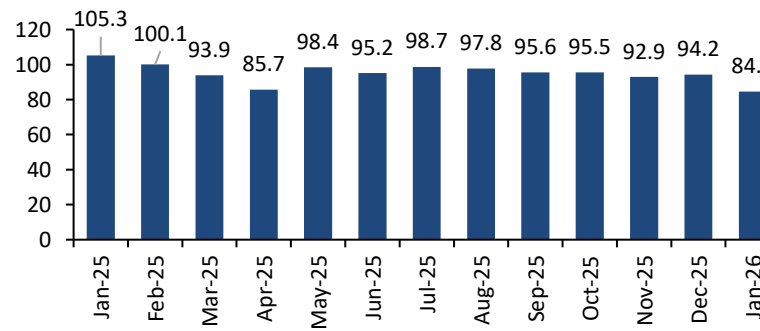
Nomination of Kevin Warsh as new Fed Chair supportive for rates, difficult for liquidity given his earlier views



Source: Bloomberg

US Consumer Confidence Index

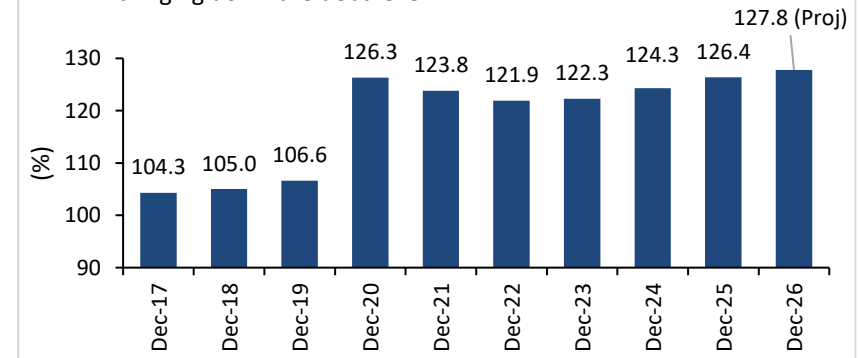
With tariff starting to impact pricing, confidence remains low



Source: Bloomberg

US Debt To GDP Ratio

Focus of administration would continue to remain on bringing down the debt level

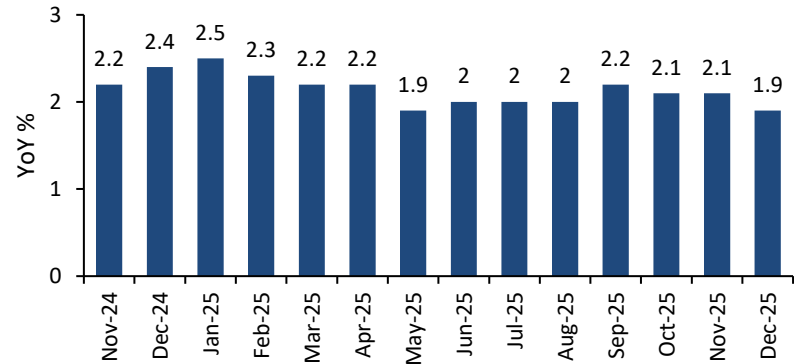


Source: Bloomberg

Europe: Macro conditions stable, friction between US & China squeezing Europe

Eurozone CPI

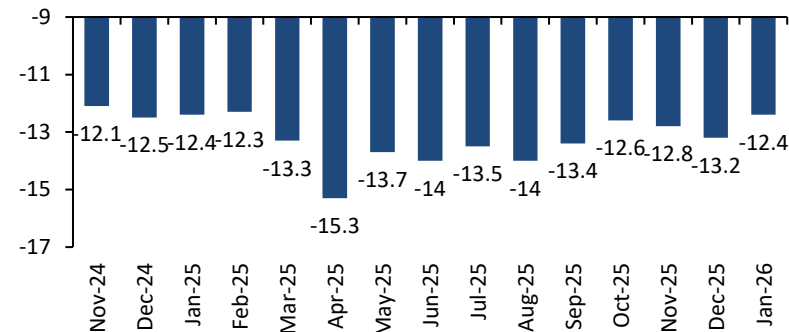
Continues remain under control



Source: Bloomberg

Eurozone Consumer Confidence Indicator

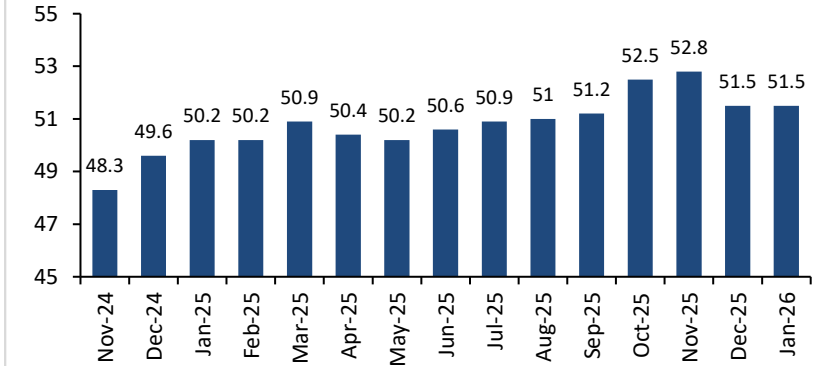
Improving incrementally



Source: Bloomberg

S&P Global Eurozone Composite PMI

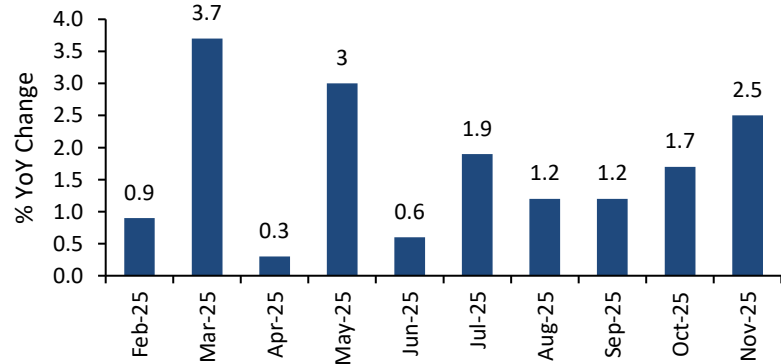
Seems to be stabilizing



Source: Bloomberg

Eurozone Industrial Production

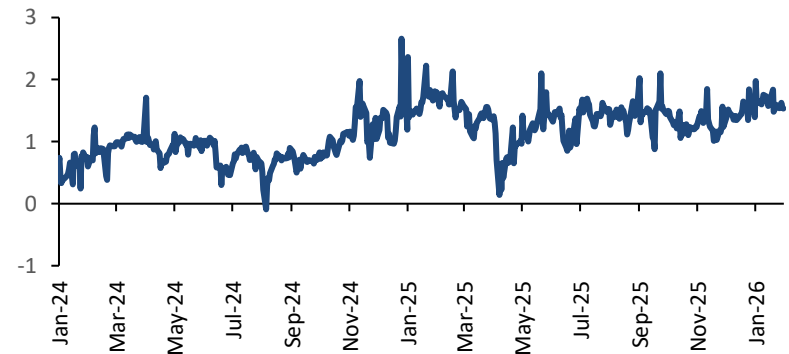
Remains strong



Source: Bloomberg

Bloomberg Euro area Financial Conditions

Index showing strength



Source: Bloomberg

Greenland remains a cause of friction between US and EU

US View: Greenland as a vital, "purchasable" territory to counter Russia/China, declaring it essential for national security and aiming for its acquisition to secure the Arctic.

EU & Denmark View: Denmark, with EU backing, firmly rejects any sale or transfer of sovereignty.

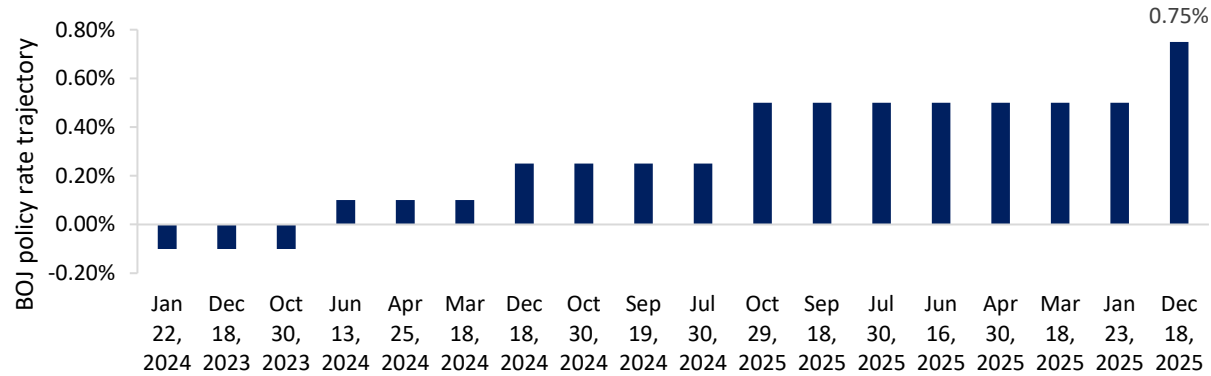
On 17 January, 2026, **Trump threatened new 10% trade tariffs** "on any and all goods" sent to the US from Denmark, Norway, Sweden, France, Germany, the UK, the Netherlands and Finland if those countries do not support his plans, thus creating uncertainty and volatility.

Source: Media Reports

Japan: Inflation biting, driving yields higher

Japan interest rate trajectory

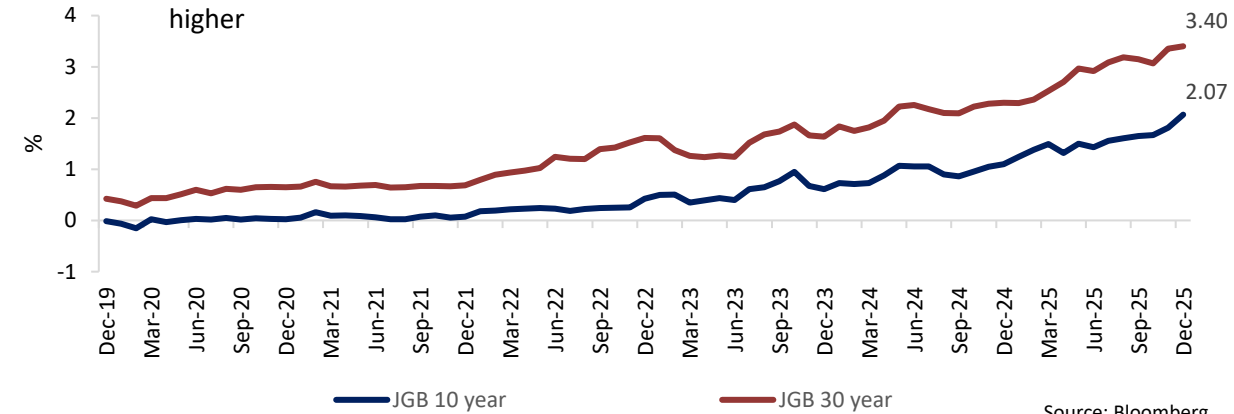
BOJ signalled its readiness to continue monetary tightening if conditions are right



Source: Bloomberg

Japan's Bond Yield Movement

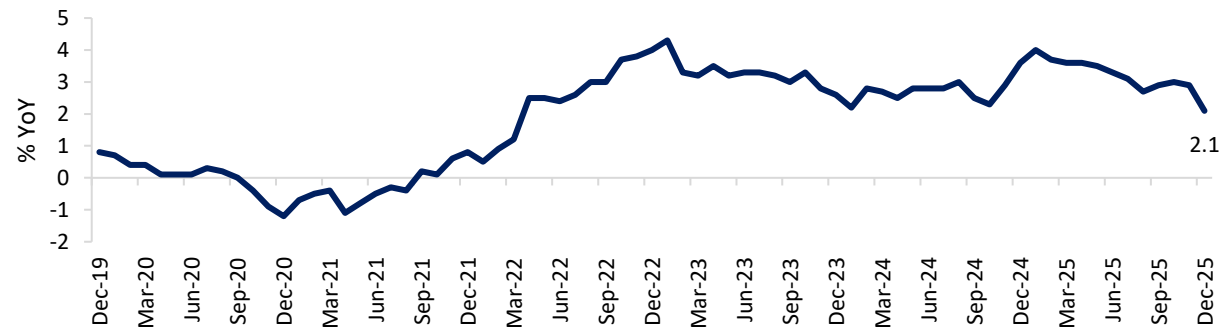
Expectations of further rate hikes in an inflationary environment drove the yields higher



Source: Bloomberg

Inflation Rate

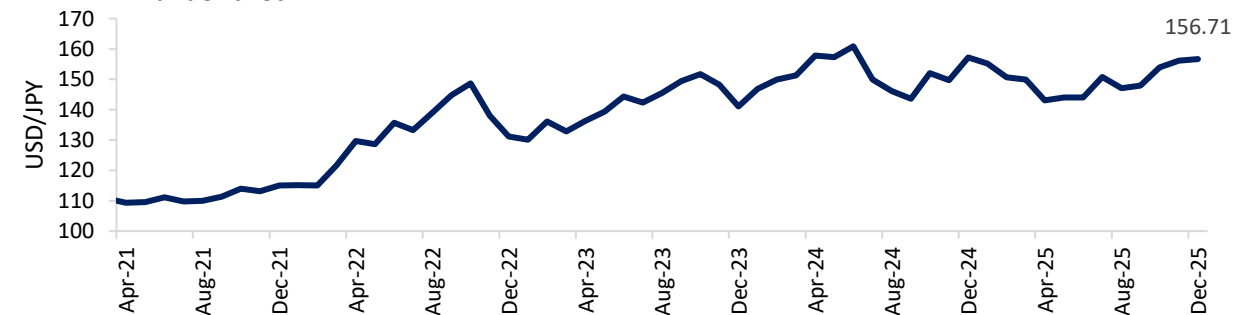
Inflation continues to remain sticky in Japan, putting pressure on its Central Bank to raise rates...



Source: Bloomberg

USD/JPY movement

...though as long as Yen depreciates, the risk of carry trade unwinding remains under check

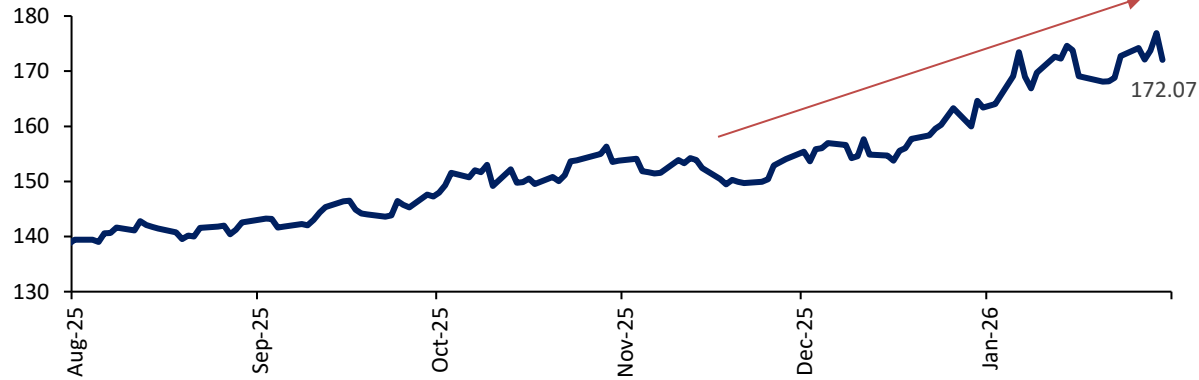


Source: Bloomberg

Base commodity prices remain elevated on the back of rising AI-led capex demand and imposition of exports curbs by China

Bloomberg Industrial Metals Index

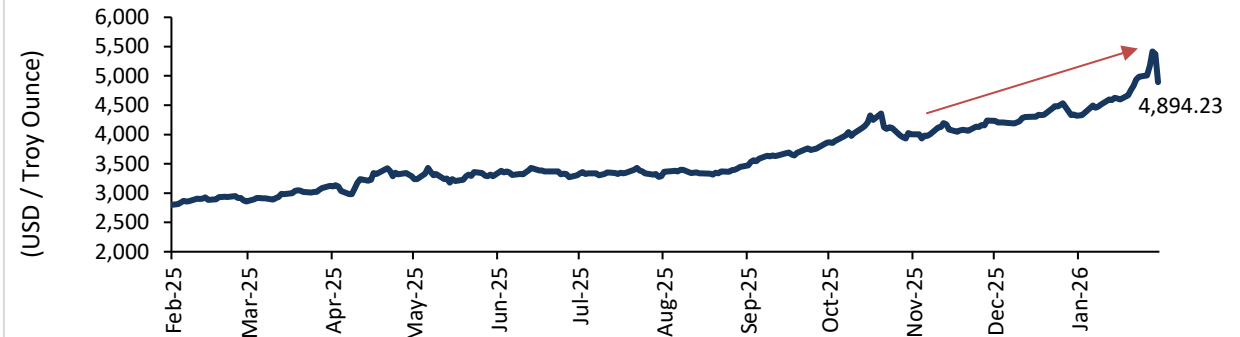
Metal prices remain elevated



Source: Bloomberg

Gold Price Movement

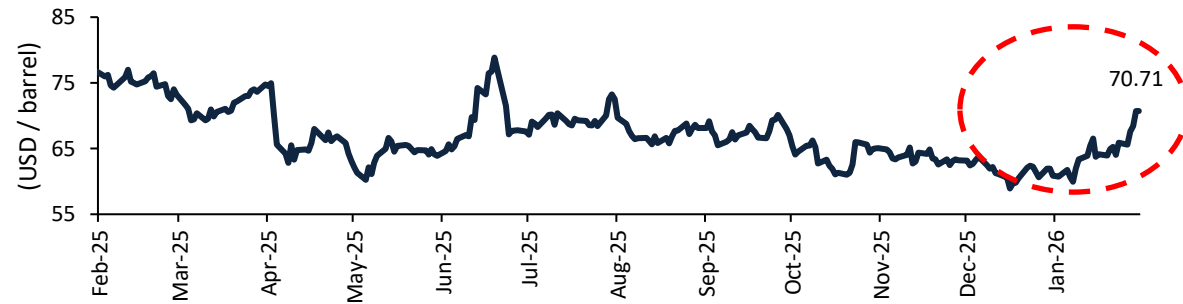
Gold prices kept mounting new peaks as safe haven demand remained strong, though some profit booking took place towards the end of the month



Source: Bloomberg

Brent Crude

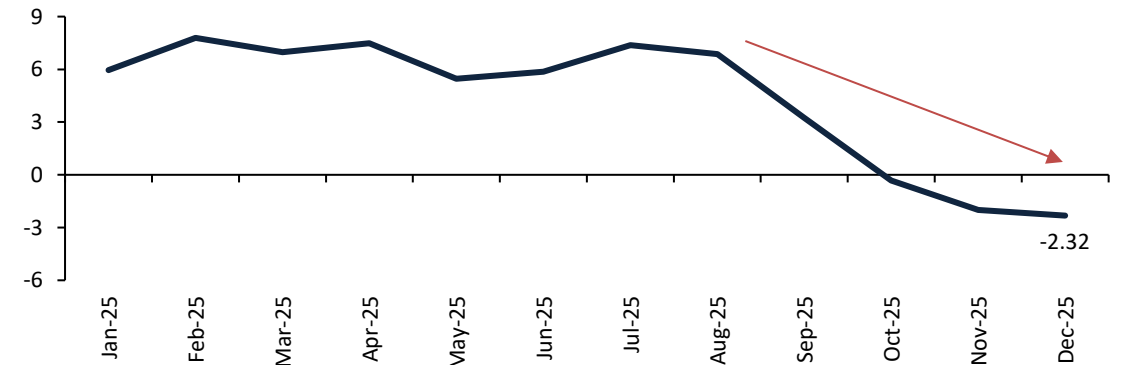
Prices rose on the back of geopolitical uncertainty, especially in the Middle-East



Source: Bloomberg

UN Food & Agriculture World Food Price Index

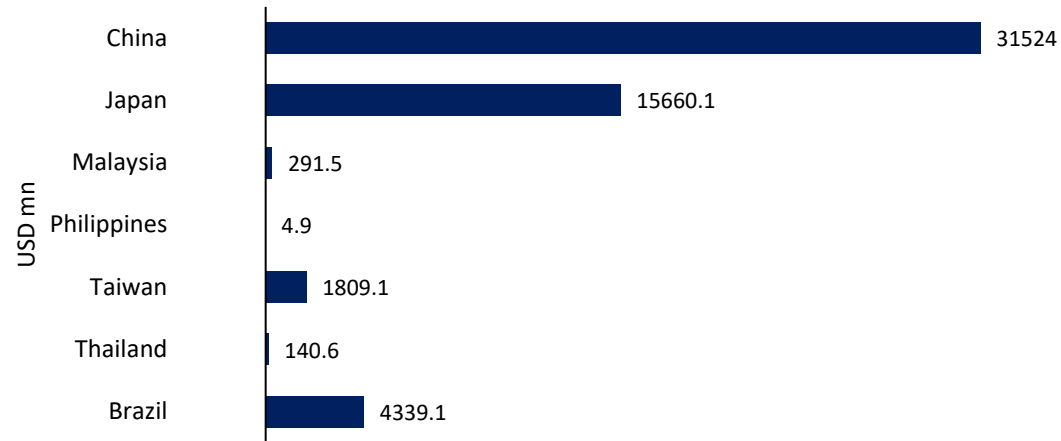
Food prices continued to come off



Source: Bloomberg

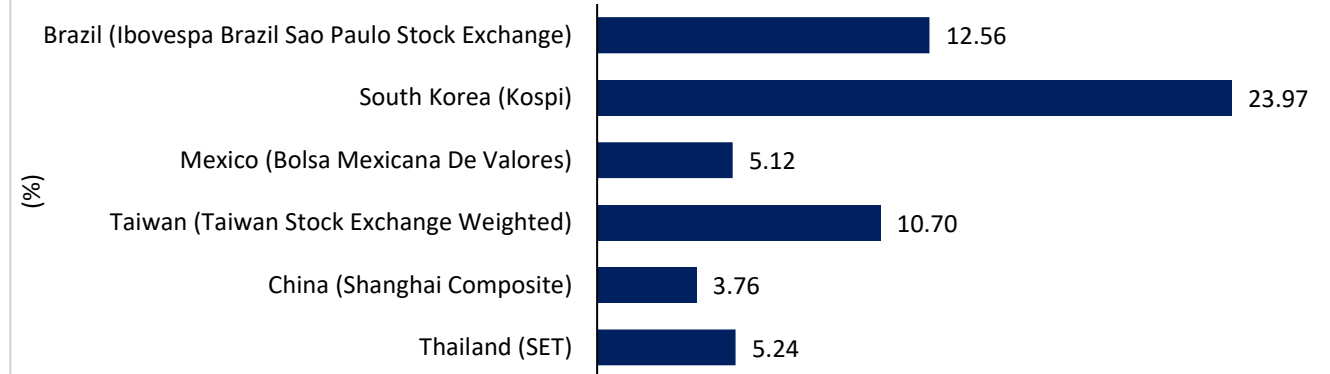
Emerging Markets: Continue to be on a roll, driven by sustained Dollar debasement and AI-related investments by FPIs

Emerging Markets - Net Flows In January 2026



Source: Bloomberg

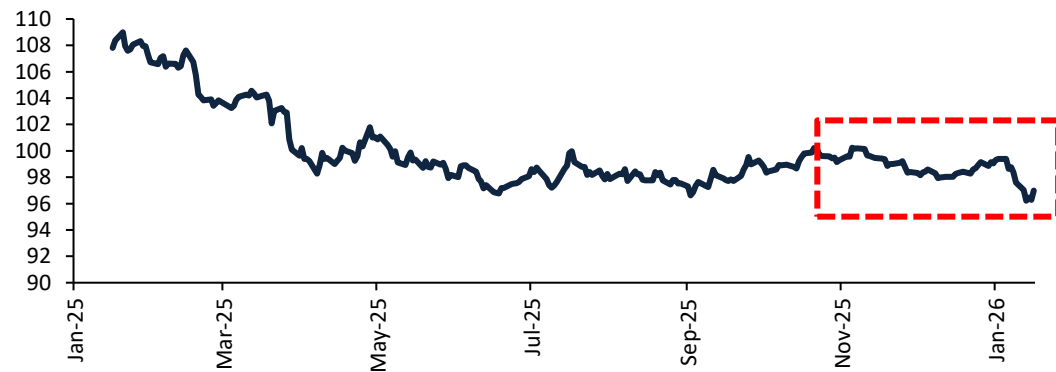
Emerging Markets - Absolute Returns of major equity indices in January 2026



Source: Bloomberg

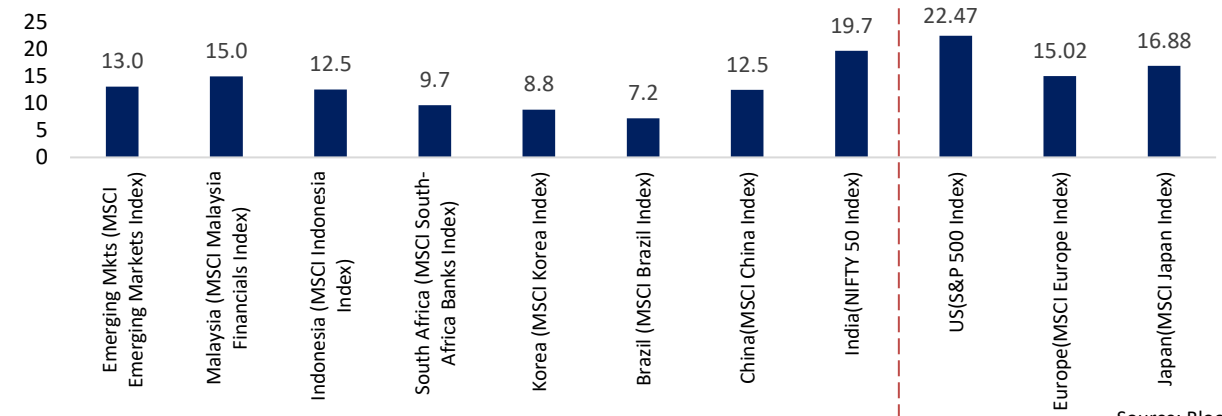
US Dollar Index

Declining Dollar index helping emerging market flows



Source: Bloomberg

12M Expected fwd P/E of Various Economies



Source: Bloomberg

Union Budget laid emphasis on capex-led growth, improving self-reliance & maintaining fiscal prudence

Major Budget takeaways:

1. Finance Minister Nirmala Sitharaman outlined the macro-architecture of the budget with a focus on 3 Kartavyas (Duties) that replace the old Reform vs. Welfare construct:
 - i. Kartavya 1 (Growth and Resilience) - enhancing productivity and move up the value chain in high-tech sectors like Semiconductors and Biopharma;
 - ii. Kartavya 2 (Capacity Building) - Prioritising education and employment to convert demographic dividend to skilling dividend;
 - iii. Kartavya 3 (Inclusive Welfare) - strategic shift from passive subsidies to connecting farmers to global value chains and artisans to e-commerce exports;
2. Some measures were introduced on the taxation front. Such as:
 - i. STT on Futures was raised from 0.02% to 0.05%;
 - ii. STT on Options premium and exercise of Option was raised to 0.15% from 0.1% and 0.125%, respectively;
 - iii. MAT was made the final tax;
 - iv. Buybacks to be taxed as capital gains. Promoter's effective tax rate: 22% (domestic companies), 30% (others);

Source: www.indiabudget.gov.in

Key Receipts

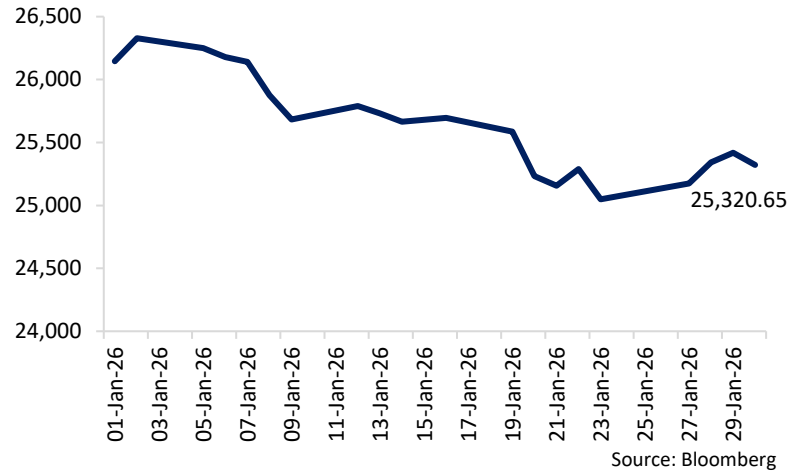
Sl No.	Particulars	FY26BE (Rs. Bn.)	FY26RE (Rs. Bn.)	FY27BE (Rs. Bn.)	FY27BE vs FY26RE
1	<i>Direct Tax Revenue from:</i>				
	~ Corporation Tax (a)	10820	11090	12310	11.00%
	~ Income Tax (b)	14380	13120	14660	11.74%
	Total (a+b)	25200	24210	26970	11.40%
2	<i>Overall GST</i>	11780	10464.8	10190.2	-2.62%
3	License Fee from telecom operators and Spectrum Usage Charges	824.43	1777.78	1170.50	-34.16%
4	Dividends from PSEs and other Investments (c)	690	710	750	5.63%
	Dividend/Surplus from RBI, Nationalised Banks and financial Institutions (d)	2560	3045.9	3160	3.75%
	Total Dividends and Profits (c+d)	3250.00	3755.90	3910.00	4.10%
5	Disinvestments	470	338.37	800	136.43%

Key Expenditure Areas:

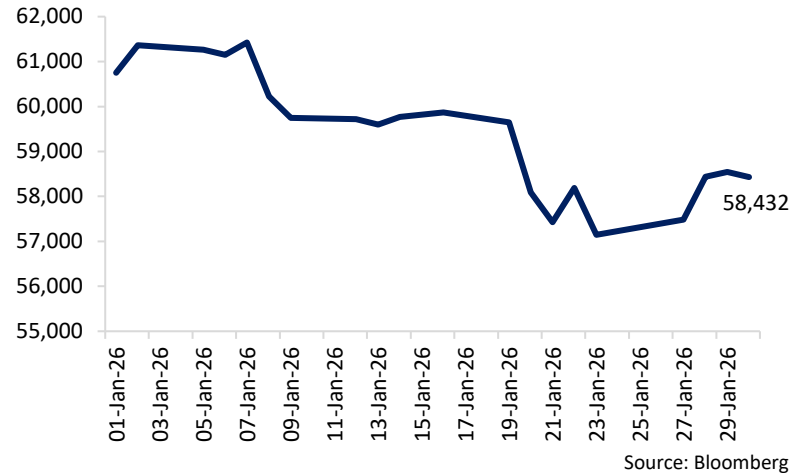
Sl No.	Particulars	FY26BE (Rs. Bn.)	FY26RE (Rs. Bn.)	FY27BE (Rs. Bn.)	FY27BE vs FY26RE
1	Central Sector schemes/projects	16218.99	16371.56	17719.28	8.23%
2	Pension	2766.18	2866.41	2962.14	3.34%
3	Defence (Capex)	4917.32	1864.542	2193.0647	17.62%
4	<i>Subsidy:</i>				
	~ Fertiliser	1678.87	1864.6	1707.81	-8.41%
	~ Food	2034.2	2281.54	2276.29	-0.23%
	~ Petroleum	121	151.21	120.85	-20.08%
5	Agriculture and Allied Activities	1588.38	1518.53	1626.71	7.12%
6	Education	1286.5	1219.49	1392.89	14.22%
7	Energy	801.74	864.71	1090.29	26.09%
8	Health	983.11	946.25	1045.99	10.54%
9	Rural Development	2658.17	2127.5	2731.08	28.37%
10	Urban Development	967.77	572.04	855.22	49.50%
11	<i>Centrally Sponsored Schemes:</i>				
	~ National AYUSH Mission	12.75	7.81	13	66.46%
	~ PM POSHAN	125	106	127.50	20.28%
	~ PMAY (Rural)	548.32	325.00	549.17	68.97%
	~ PMAY (Urban)	197.94	74.99	186.24	148.35%
	~ PMAY (Urban 2.0)	35	3	30	900.00%
	~ AMRUT	100	75	80	6.67%
	~ Jal Jeevan Mission	670	170	676.70	298.06%
	~ MGNREGA- Programme	860	880	300	-65.91%
	~ VB-G RAM G			956.92	
	~ PM Gram Sadak Yojna	190	110	190	72.73%
	~ PM Garib Kalyan Anna Yojana	2030	2277.5365	2274.29	-0.14%
	~ Solar Power (Grid)	15	10	17.75	77.50%
	~ PLI (Auto and Auto components)	28.19	20.9126	59.40	184.03%
	~ PLI (MEITY)	90	70	15.27	-78.19%
12	Ministry of Road Transport and Highways	2873.33	2871.42	3098.75	7.92%
13	Ministry of Railways:				
	~ Capital Expenditure (a)	2520	2520	2778.3	10.25%
	~ Revenue Expenditure (b)	34.4518	34.66	35.47	2.34%
	Total (a+b)	2554.45	2554.66	2813.77	10.14%

Lack of clarity on trade deal with the US, FPI outflows and sliding currency pushed Indian Equity Markets lower in January

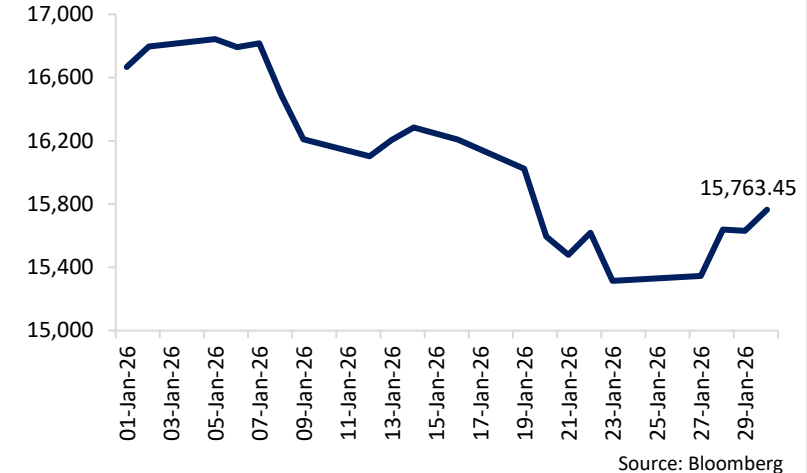
Nifty 50 Index Movment



Nifty Midcap 100 Index Movment

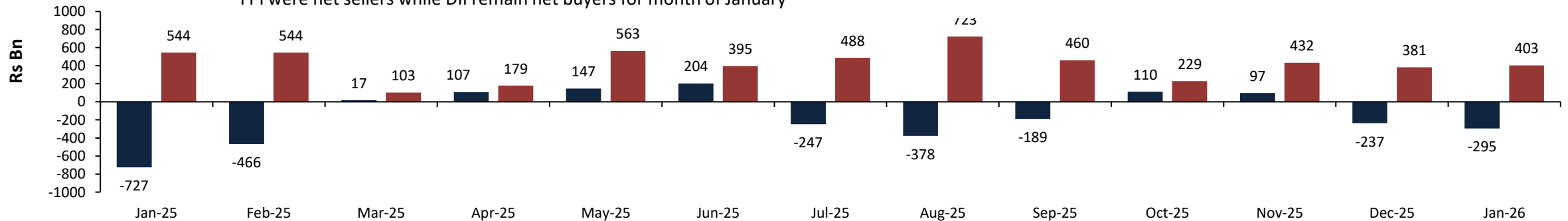


Nifty Smallcap 250 Index Movment



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

FPI were net sellers while DII remain net buyers for month of January



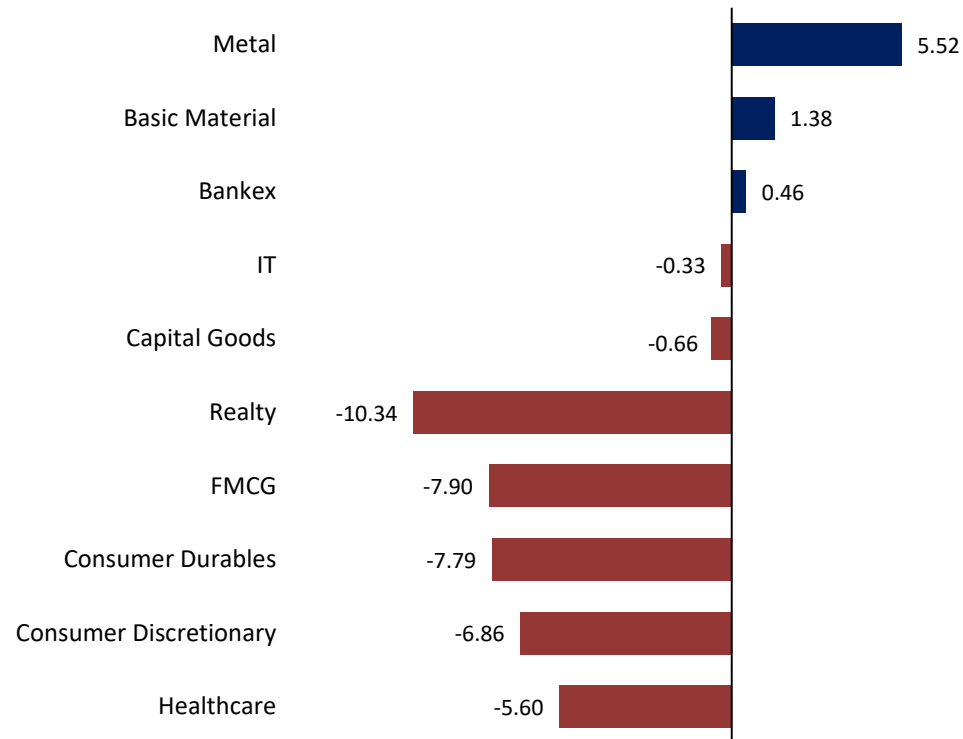
*For 2026, FPI and DII data is up to 30th January.

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

Source: SEBI, CDSL

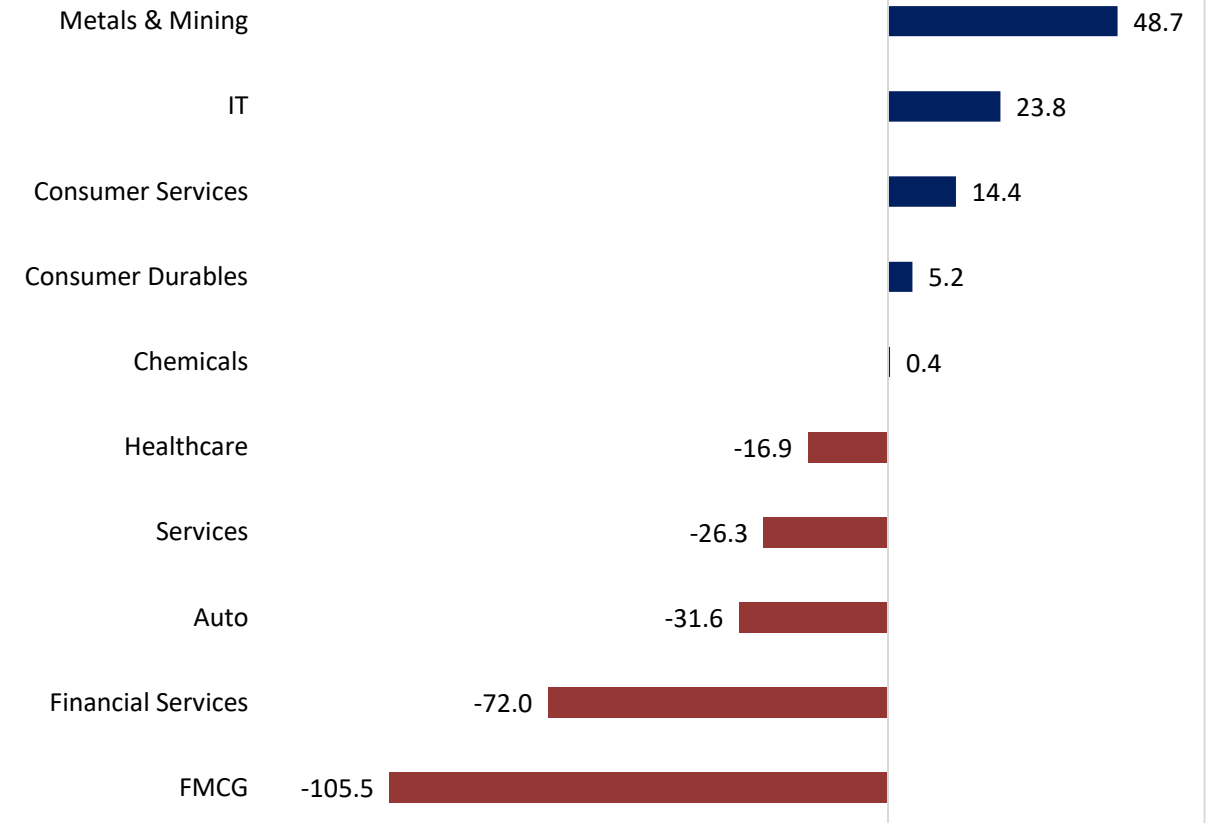
Sectoral performance and FPI flows in January 2026

BSE Sectors - Absolute Return In January 2026 (%)
(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 Dec 16, 2025 till Jan 15, 2026

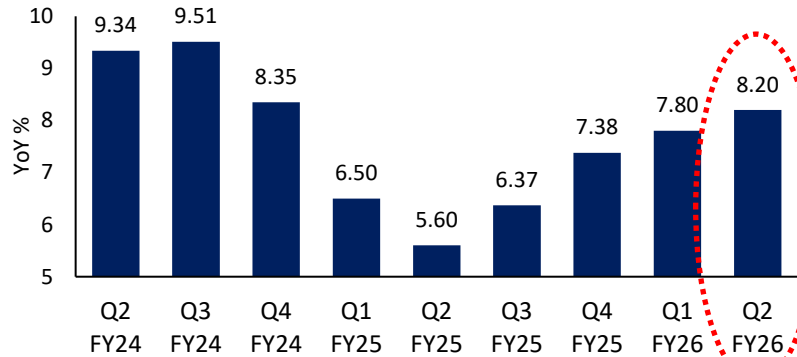


Source: NSDL

India Macros: Data continues to remain robust, trade deals likely to be supportive...sliding currency a key irritant

Real GDP Growth

Surprises on the upside...

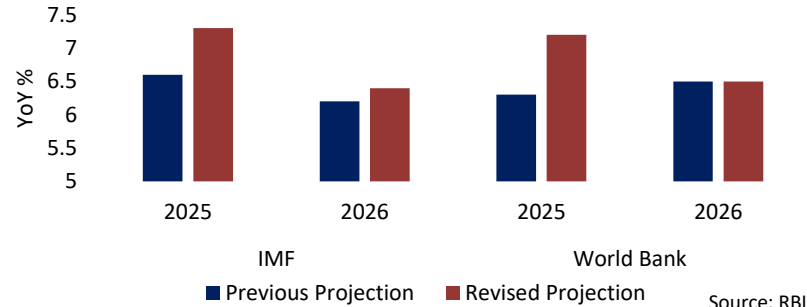


Source: MoSPI, Bloomberg

Multilateral Agencies India Growth

Forecast

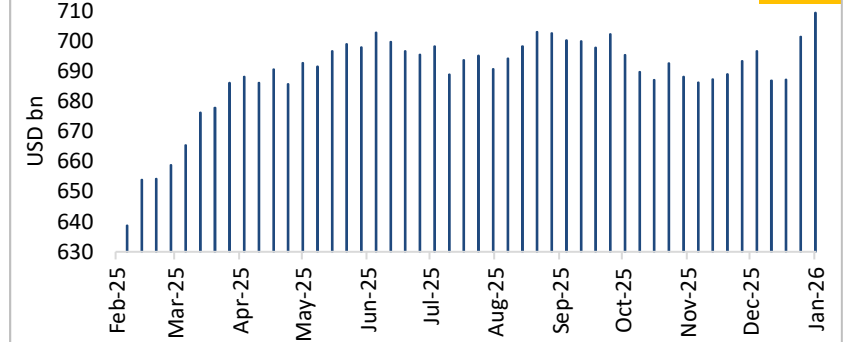
Despite headwinds due to global uncertainties, technology led investments aided by fiscal and monetary support raised expectations



Source: RBI

Forex Reserves

Reserves rebounded to an all-time high level amidst global risks



Source: Bloomberg

International Trade Deals

India-US Trade Deal

- The US agreed to cut tariffs on Indian goods from around 25–50% to 18%, making many Indian exports cheaper and more competitive in the U.S. market.
- India-US bilateral trade stands at 131.84 bn USD as of FY25.

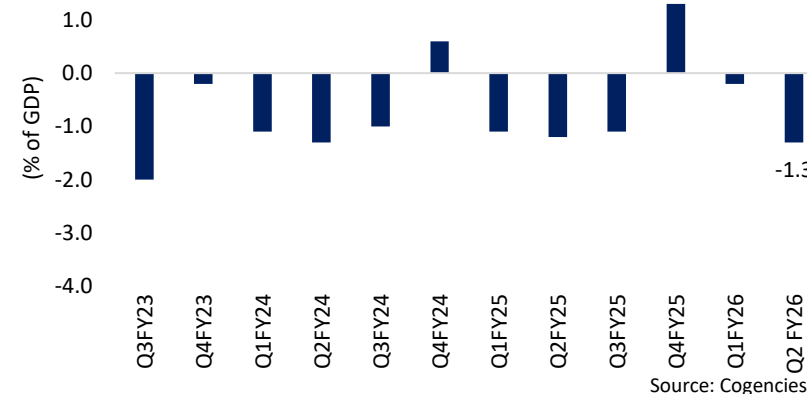
India-EU Free Trade Agreement (FTA)

- The FTA eliminates or cuts duties on 96–99% of bilateral trade by value, giving Indian products near-duty-free access to the EU market.
- India-EU goods trade was roughly €120–€136 billion in 2024–25, and the agreement is expected to potentially double EU exports to India by 2032.

Source: Media Reports

Current Account Balance

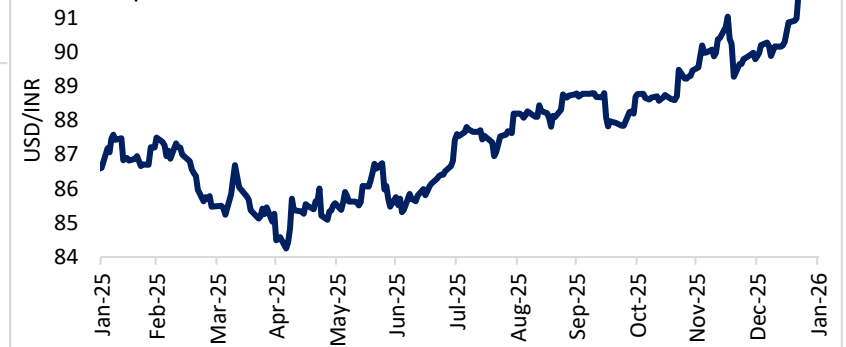
Is under control



Source: Cogencies

USD/INR

Post India-EU & India-US trade deals, currency volatility is expected to halt

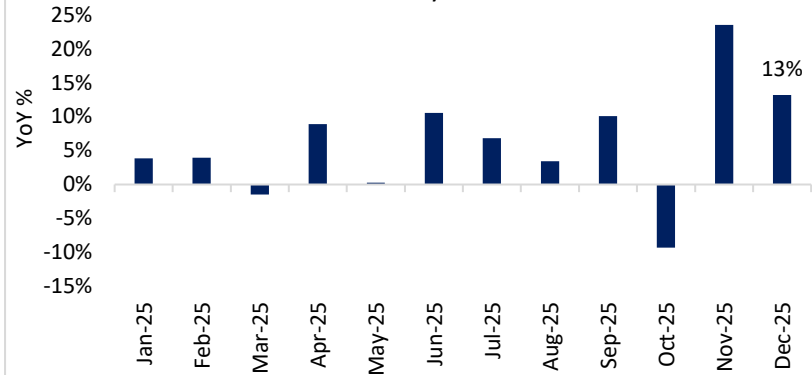


Source: Bloomberg

Urban Economy: Post GST led high, demand plateauing (ex PV)...sustained pick-up remains key monitorable

Naukari JobSpeak Index

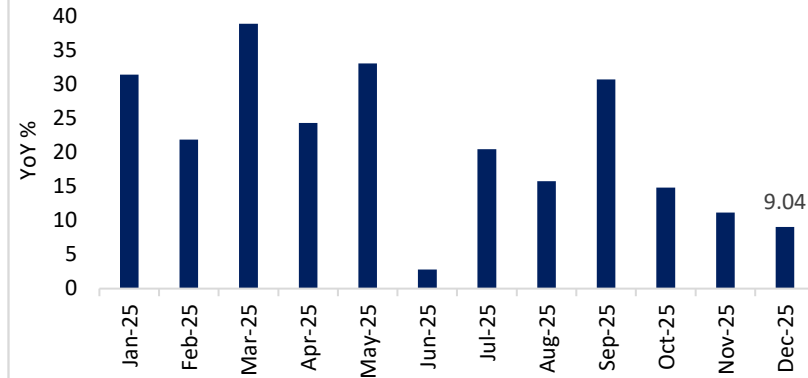
Job creation remains steady



Source: RBI

Credit Card Spend

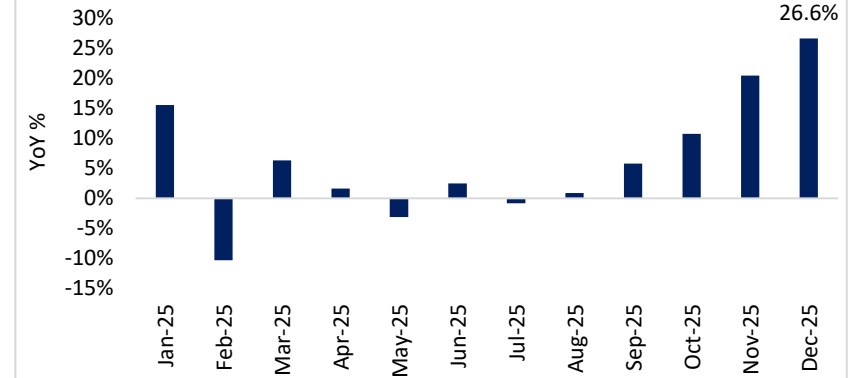
Spending moderated after festive hikes



Source: Media Reports

Passenger Vehicle Registrations (% YoY)

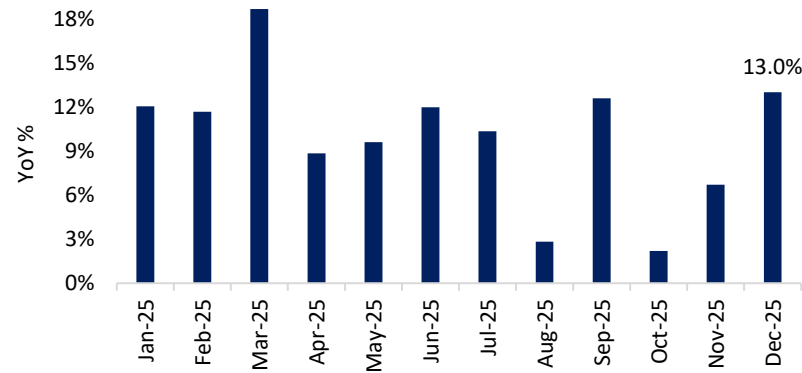
Vehicle sales remains a key positive



Source: Bloomberg

India Service Exports

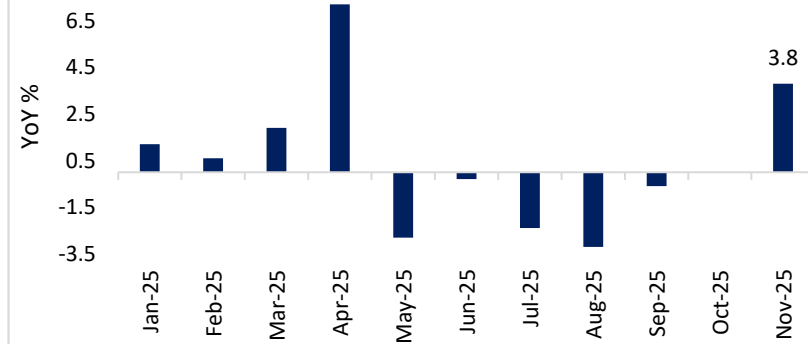
Service exports remained steady



Source: Bloomberg

Hotel Occupancy Growth

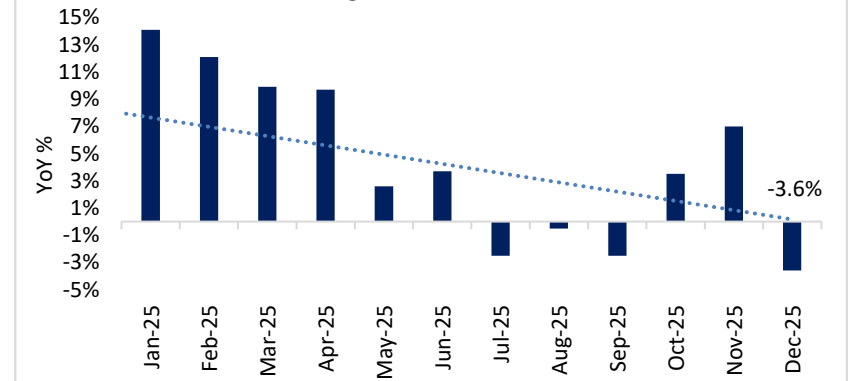
Hotel occupancy remains low



Source: RBI

Domestic Passengers Carried By Airlines

Air travel demand growth remained subdued

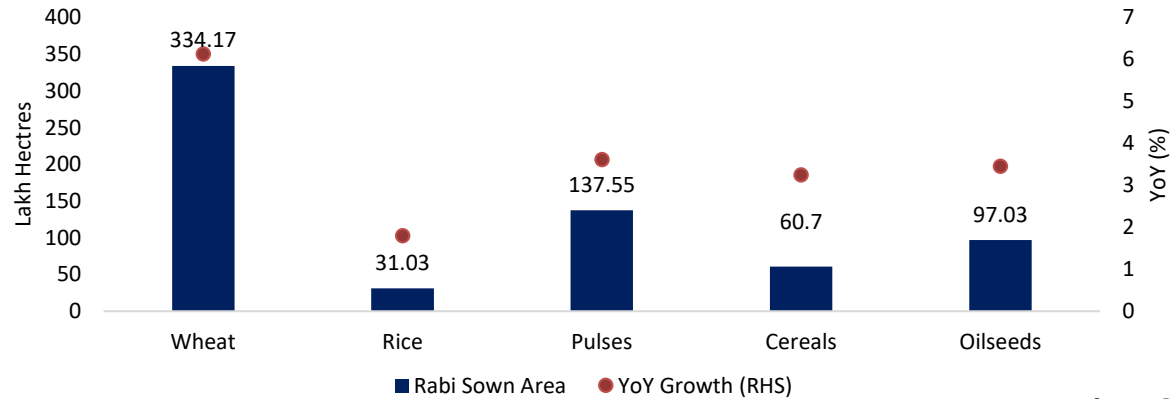


Source: RBI

Rural Economy: Economy remains resilient, MSP support to farmers expected to cushion against weak food prices

Rabi Sown Area

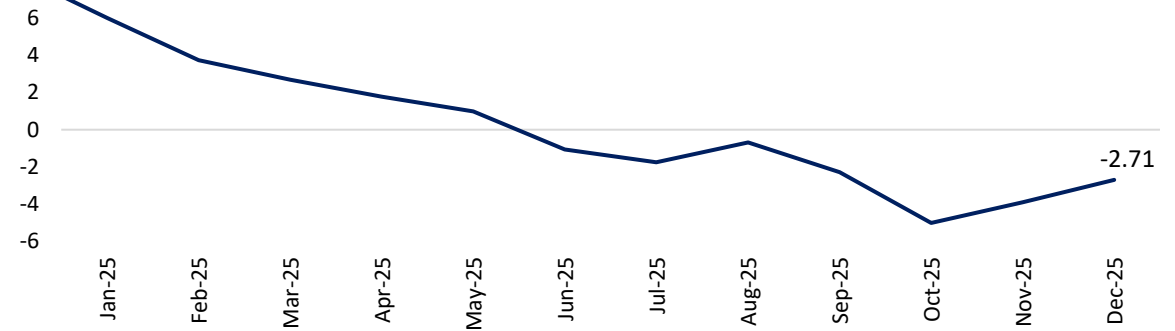
Hiher acreage reported accross all major crops



Source: RBI

Food Inflation (% YoY)

While CPI Inflation eased up, food inflation remained negative. Substantial support by government to MSP prices to help rural income



Source: Ministry of Statistics and Program Implementation

Direct Benefit Transfers

Cash transfers increasing disposable income of households

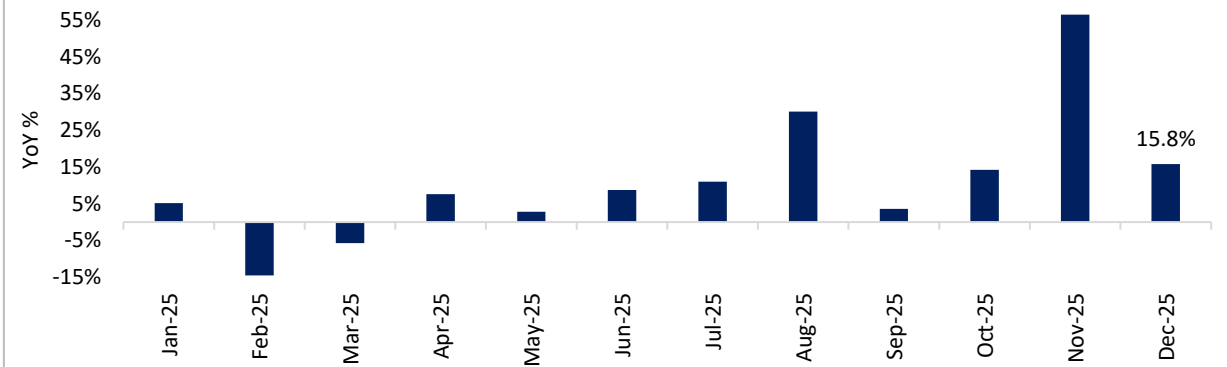
Sr No	Scheme Group Name	Total Direct Benefit Transfer (Bn ₹)
1	PAHAL	124.30
2	MGNREGS	597.26
3	NSAP	25.08
4	SCHOLARSHIP SCHEME	37.85
5	PMAYG	300.69
6	PDS	1238.80
7	FERTILIZER	1601.68
8	OTHERS	1091.84
	Total	5017.51

Note: Figures are till Jan 2026

Source: DBT Bharat

India Tractor Sales

Tractor sales continued to expand



Source: Bloomberg

Q3 FY26 Results : Aggregate Earnings strong, topline reviving, Large cap Revenue in line with expectations, Mid and Small caps continue to deliver strong earnings growth

Nifty 100

Sector	Net Sales - YoY Growth (%)			EBITDA - YoY Growth (%)			PAT - YoY Growth (%)		
	Q3 FY26	Q2 FY26	Q3 FY25	Q3 FY26	Q2 FY26	Q3 FY25	Q3 FY26	Q2 FY26	Q3 FY25
Automobile and Auto Components	30.21	15.57	14.02	14.73	3.78	15.04	10.13	13.31	16.56
Capital Goods	24.65	24.19	34.94	25.64	22.14	54.83	20.46	19.90	47.32
Construction	10.49	10.44	17.31	18.50	7.66	9.13	-4.29	13.96	11.31
Construction Materials	22.78	20.33	6.21	43.71	85.84	-23.03	26.84	74.87	-23.18
Consumer Durables	7.66	5.99	-0.58	10.08	19.81	-21.88	-2.31	39.01	-20.23
Consumer Services	60.99	57.28	26.79	24.33	-11.68	5.92	22.39	-10.24	-5.54
Fast Moving Consumer Goods	8.60	2.25	9.91	10.54	3.68	0.37	6.64	5.45	-8.35
Financial Services	5.30	6.99	11.71	3.47	14.50	22.68	4.89	2.76	17.68
Healthcare	2.41	8.51	11.66	-33.26	-5.78	10.97	-37.61	1.58	21.99
Information Technology	7.89	5.67	5.06	7.69	7.14	8.26	-8.91	4.02	12.90
Metals & Mining	19.70	-15.41	-21.02	38.36	-13.37	-21.28	84.81	-43.64	-26.35
Oil Gas & Consumable Fuels	8.72	7.55	3.69	13.16	35.81	13.08	14.63	32.43	12.97
Power	6.17	8.98	8.46	2.91	15.27	10.25	-15.28	-10.20	19.24
Realty	19.26	18.28	26.05	4.84	17.15	20.99	21.84	6.26	57.11
Services	6.16	9.34	13.67	-12.46	-351.58	-15.23	-77.58	-161.69	-18.32
Grand Total	10.34	6.98	6.29	11.22	11.71	6.24	4.52	4.51	10.94
Ex-Financials	12.21	6.98	4.42	11.96	11.44	4.90	4.26	5.82	6.67

Data as on Jan 29, 2026 and pertains to 47 companies within the Nifty 100 universe

Source: Capitaline, HDFC Bank Research

Nifty Smallcap 250

Sector	Net Sales - YoY Growth (%)			EBITDA - YoY Growth (%)			PAT - YoY Growth (%)		
	Q3 FY26	Q2 FY26	Q3 FY25	Q3 FY26	Q2 FY26	Q3 FY25	Q3 FY26	Q2 FY26	Q3 FY25
Automobile and Auto Components	19.79	17.34	14.46	57.75	28.89	-28.11	56.60	28.11	-44.74
Capital Goods	9.15	3.60	6.48	-8.96	-16.62	0.69	-0.53	-16.63	1.86
Chemicals	6.52	4.69	26.03	-12.47	-2.42	67.02	-4.33	10.04	102.23
Construction Materials	13.92	8.64	-5.23	180.58	172.54	-221.05	-35.05	110.66	221.13
Consumer Durables	10.63	3.63	8.86	22.21	-6.64	-4.10	-5.25	3.00	3.40
Consumer Services	13.35	12.45	16.05	-2.38	-3.09	68.18	55.62	-38.79	47.74
Diversified	13.56	11.52	10.45	9.05	60.29	9.22	-7.64	67.23	17.88
Fast Moving Consumer Goods	19.58	24.96	13.42	42.68	29.94	7.98	38.59	21.22	4.47
Financial Services	10.82	7.84	12.59	39.74	14.88	-18.84	31.19	4.18	-13.90
Forest Materials	-59.78	-63.02	-79.55	-213.41	-867.62	-123.67	-255.38	-5,610.94	-129.47
Healthcare	16.30	13.09	11.60	12.25	22.61	41.71	19.49	46.30	62.45
Information Technology	9.42	1.91	7.77	20.16	2.44	-7.60	5.71	-2.11	-8.27
Media Entertainment & Publication	15.23	-1.57	-3.27	-20.79	-59.24	91.80	-5.38	-63.48	206.94
Metals & Mining	2.07	11.65	31.49	50.42	64.77	2.47	24.89	33.44	26.99
Oil Gas & Consumable Fuels	13.08	4.72	-15.67	250.04	327.79	-39.87	325.47	291.26	-46.91
Realty	-9.90	40.93	63.27	-1.14	42.88	21.58	20.23	60.45	54.50
Services	20.76	2.76	4.64	41.91	16.15	-8.27	37.42	6.96	7.92
Telecommunication	-78.77	-81.90	230.62	-126.97	-152.44	723.37	-132.19	-1,037.38	57.61
Textiles	1.03	0.98	-7.07	5.51	59.47	58.85	19.75	139.17	10.05
Grand Total	10.18	5.79	3.51	39.03	37.20	-8.03	37.38	30.19	-4.99
Ex-Financials	9.91	4.92	0.04	38.72	52.14	-2.18	43.09	69.04	5.04

Data as on Jan 29, 2026 and pertains to 84 companies within the Nifty 250 small cap universe

Source: Capitaline, HDFC Bank Research

Nifty Midcap 150

Sector	Net Sales - YoY Growth (%)			EBITDA - YoY Growth (%)			PAT - YoY Growth (%)		
	Q3 FY26	Q2 FY26	Q3 FY25	Q3 FY26	Q2 FY26	Q3 FY25	Q3 FY26	Q2 FY26	Q3 FY25
Automobile and Auto Components	14.83	5.68	12.17	12.26	-11.93	7.07	-11.31	-9.55	36.71
Capital Goods	30.34	21.53	31.03	64.03	72.40	41.36	59.28	74.79	38.98
Chemicals	23.62	21.30	18.17	6.29	28.16	50.31	8.42	37.95	53.75
Construction Materials	11.33	21.00	5.50	-23.01	188.14	-13.66	-47.62	294.31	23.93
Consumer Durables	1.84	19.38	69.03	-3.42	4.09	130.08	1.28	36.75	182.15
Consumer Services	37.75	41.50	25.66	-27.76	-67.58	-52.05	-40.24	-80.01	-45.33
Fast Moving Consumer Goods	12.72	12.03	7.62	6.05	2.59	0.44	7.46	-3.31	1.80
Financial Services	4.07	4.45	13.77	28.07	0.43	28.80	9.93	-2.51	18.80
Healthcare	-2.82	2.20	10.57	-45.40	-38.01	41.73	-88.56	-36.76	17.58
Information Technology	15.63	15.13	13.36	16.21	12.99	0.46	-5.24	9.96	-1.75
Metals & Mining	6.16	11.41	8.54	17.92	19.07	-4.43	26.52	32.57	-5.35
Oil Gas & Consumable Fuels	3.69	1.05	-0.38	19.87	221.93	264.61	52.63	575.44	161.78
Power	29.34	21.52	13.21	16.94	12.94	-3.15	-73.60	135.43	17.98
Realty	60.53	17.26	5.35	19.60	35.44	24.62	23.36	43.58	15.27
Services	7.88	10.06	7.60	1.49	10.87	13.28	2.54	-0.97	16.70
Telecommunication	3.72	3.75	3.75	31.35	-4.07	46.53	22.56	22.77	7.92
Grand Total	8.74	8.07	11.24	22.01	38.89	38.20	19.50	29.68	33.04
Ex-Financials	11.54	10.31	9.77	20.22	53.99	41.24	47.84	223.63	106.23

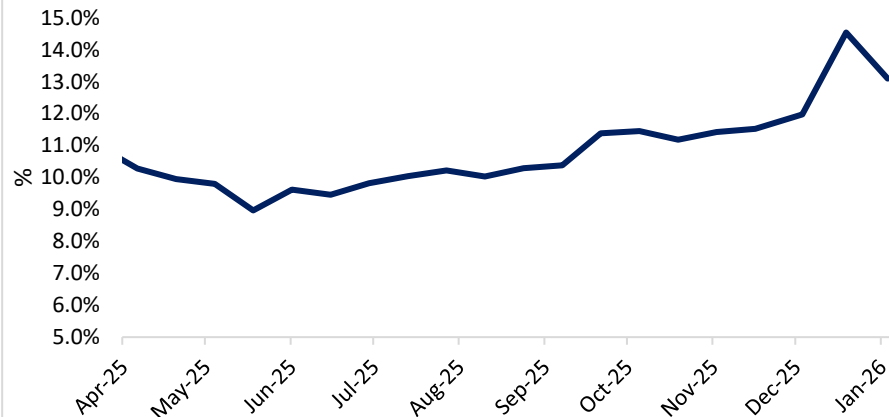
Data as on Jan 29, 2026 and pertains to 69 companies within the Nifty 150 midcap universe

Source: Capitaline, HDFC Bank Research

- Banks: NIMs expected to bottom out
- IT: Better than expectations, though there was uncertainty on trade deal
- Metals: Demand Visible
- Auto: GST cut has helped in boosting the overall earnings

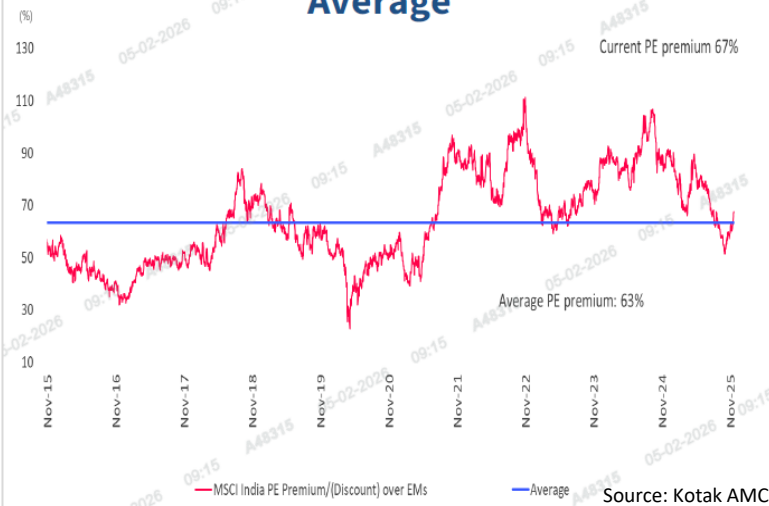
India : With recent correction in valuation and growth expected to pick up on the back of strong macro, fresh trade deals, investment opportunity landscape improving

Improved credit growth suggestive of growth impulses in economy



Source: Bloomberg

MSCI India Index Valuation Near To Average



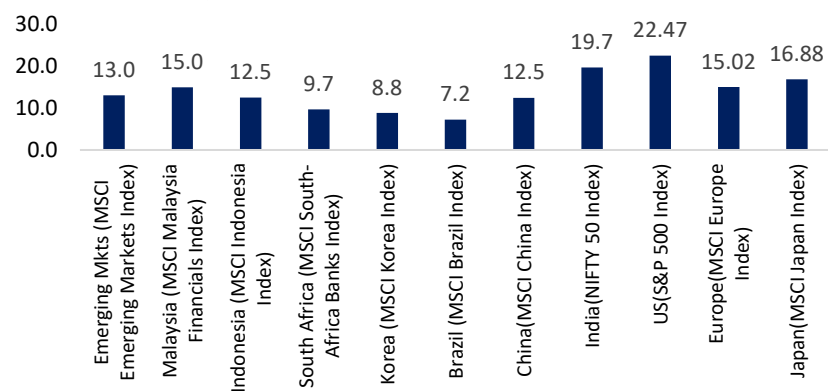
Source: Kotak AMC

With sustained FPI outflows, FPI holding have come down substantially in Indian companies, improvement in investment conditions may attract them



Source: Bloomberg

12M Expected Fwd PE of Various Economies



Source: Bloomberg

With recent corrections in the markets, valuations have become reasonable, though still is not cheap overall. Given sustained earnings delivery in Mid and Small caps, select opportunities have cropped up in that space.

Index	P/E FY27 (Est.)	P/E FY28 (Est.)	EPS FY27 (Est.)	EPS FY28 (Est.)	PEG FY27 (Est.)
Nifty 50	19.70	17.30	1273	1464	1.372
Nifty Midcap 100	27.60	23.13	2117	2526	1.239
Nifty Smallcap 250	26.10	21.38	647	790	1.607

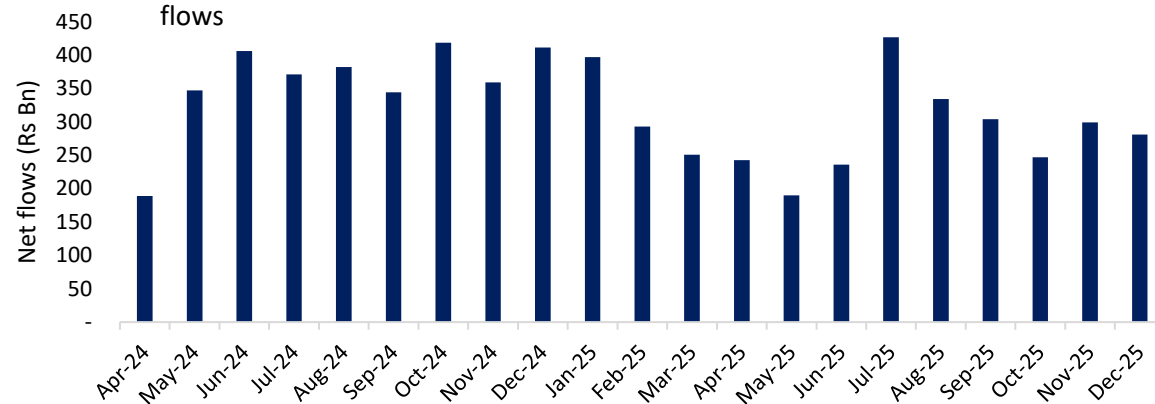
Note: Data taken as on 30th January 2026

Source: Bloomberg

Retail investment in Mutual Funds continues to support the market as selling by FPI have been absorbed by DIIs

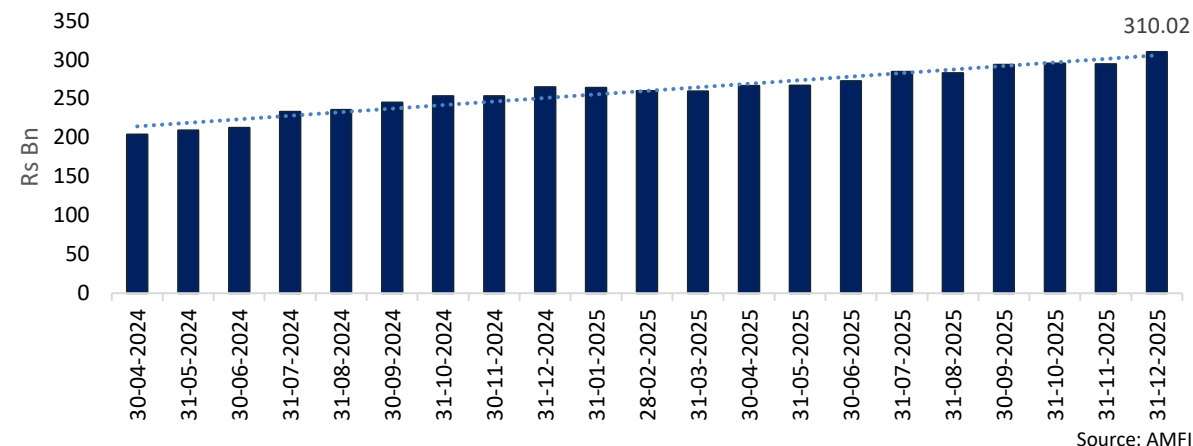
Pure Equity Funds Flows

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



Source: AMFI

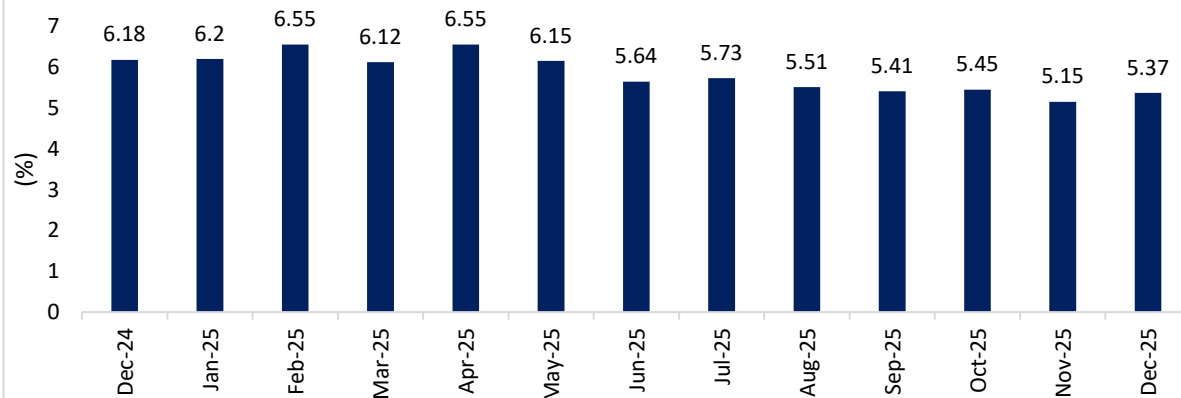
SIP contribution remains strong



Source: AMFI

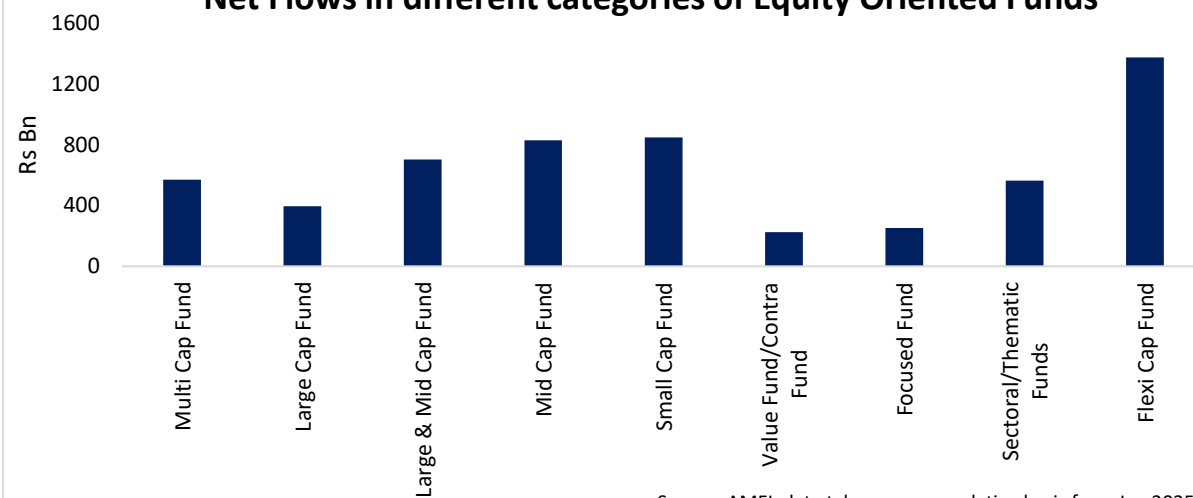
Mutual Funds Aggregate Cash Value

Cash being deployed as market consolidating for past 1 year and as valuations eased up and on back of stimulus measure applied



Source: ACE MF

Net Flows in different categories of Equity Oriented Funds

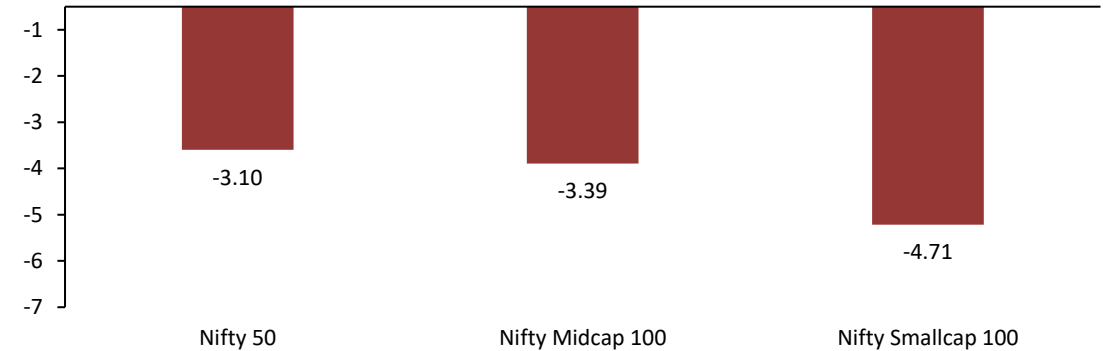


Source: AMFI, data taken on a cumulative basis from Jan 2025

Market Roundup – January 2026

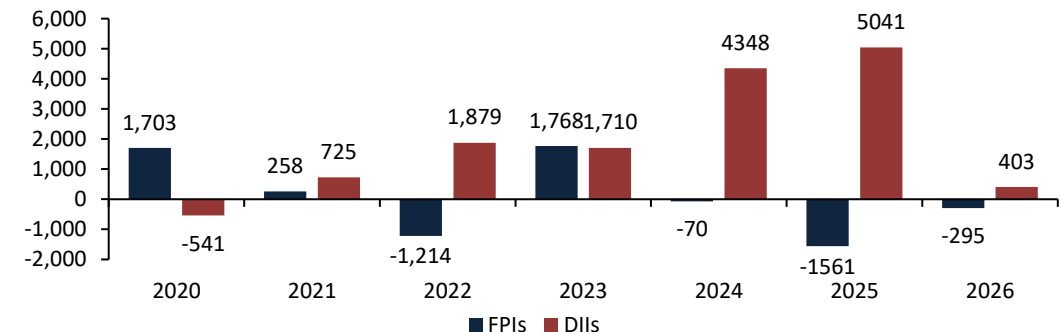
- Indian equities ended the month on a negative note. Large cap-oriented BSE Sensex ended lower by 3.5% (MoM) and Nifty 50 ended lower by 3.1% (MoM). While the BSE Midcap index ended lower by 3.8%(MoM) and BSE Small cap index ended lower by 6.3% (MoM).
- In terms of BSE sectoral indices, the sectors ended on a mixed note. Metal and Bank Index were the outperformers during the month..
- During the month, FPIs were net sellers in equities to the tune of Rs 295 bn. (Data as on 30th January).
- Domestic equity markets ended the month on a negative note though there was optimism over the landmark India–EU free trade agreement and supportive cues from the government’s Economic Survey, the budget announcements led to massive selloff as STT hike dented the overall sentiments. Losses stemming from rising crude oil prices, persistent foreign fund outflows, a weaker rupee, mixed corporate earnings and geopolitical uncertainty and concerns over the United States (US) imposing fresh tariffs also dented the market performance during the month.

Absolute Return In January 2026 (%)



Source: Bloomberg

Net Flows In Equities



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

**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
- Expectation of weakening margins profile for corporates
- Any escalation in Geo-political conflict at Indian borders, Ukraine – Russia, and Middle East can impact the market sentiment strongly
- The impact of Dollar Index and US Bond Yields on FPI flows in emerging markets
- Slowdown in Global trade due to tariffs imposed by the Trump Administration, 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. Credit and deposit growth expected to improve and NIMs expected to have bottomed out. • Policy support from the RBI is expected to improve the liquidity situation going ahead. • The rally in the smaller banking names may be difficult to sustain. Larger Private banks are expected to see better asset quality. • Capital markets plays are experiencing regulatory overhangs and may see valuation correction. • Fund Managers have incrementally added names in select PSU Banks, Insurance and NBFCs while taking selective exposure to Private Banks.
IT	View –Neutral to Positive • The growth expectations from large cap names remain muted but they are emerging as a value play now and funds are now looking to cut underweights. • Midcap IT names still find favour with some Fund Managers due to better growth prospects, despite elevated valuations. • Some Fund Managers are looking to take exposure to Small cap names on expectations of a turnaround. • Developments in AI remain a key monitorable; AI implementation orders may bring growth opportunities but the near-term headwinds are still unclear.
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 have corrected and are expected to generate double-digit topline growth but potential margin erosion due to bed additions over the next few years, especially for players with smaller Balance Sheets, is inducing some Fund Managers to move out of those names in favour of larger players. • Funds running overweight as they expect this sector to be a defensive bet. • Diagnostics have continued to see low double-digit volume growth yet some names are trading below their Covid-19 peak levels. GLP-1 can provide a fillip to this space.
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. • 2-Wheeler stocks have seen strong outperformance and the space remains highly penetrated. • Auto ancillaries may do well due to the India-EU trade deal. • Some Fund Managers feel that the CV cycle has bottomed out and are running overweight in this pocket.

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 landbanks 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 plays.
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 these companies are not willing to let go of their cyclically high margins. - Hotels/Travel – Valuations remain rich, no incremental weights being added. - 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. The Consumer Tech space is seeing fund-raising induced competitive pressure and leaders are being preferred. Cost pressure from gig workers also a cause for worry. 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 - With 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. - US tariffs have 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, Defence, 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

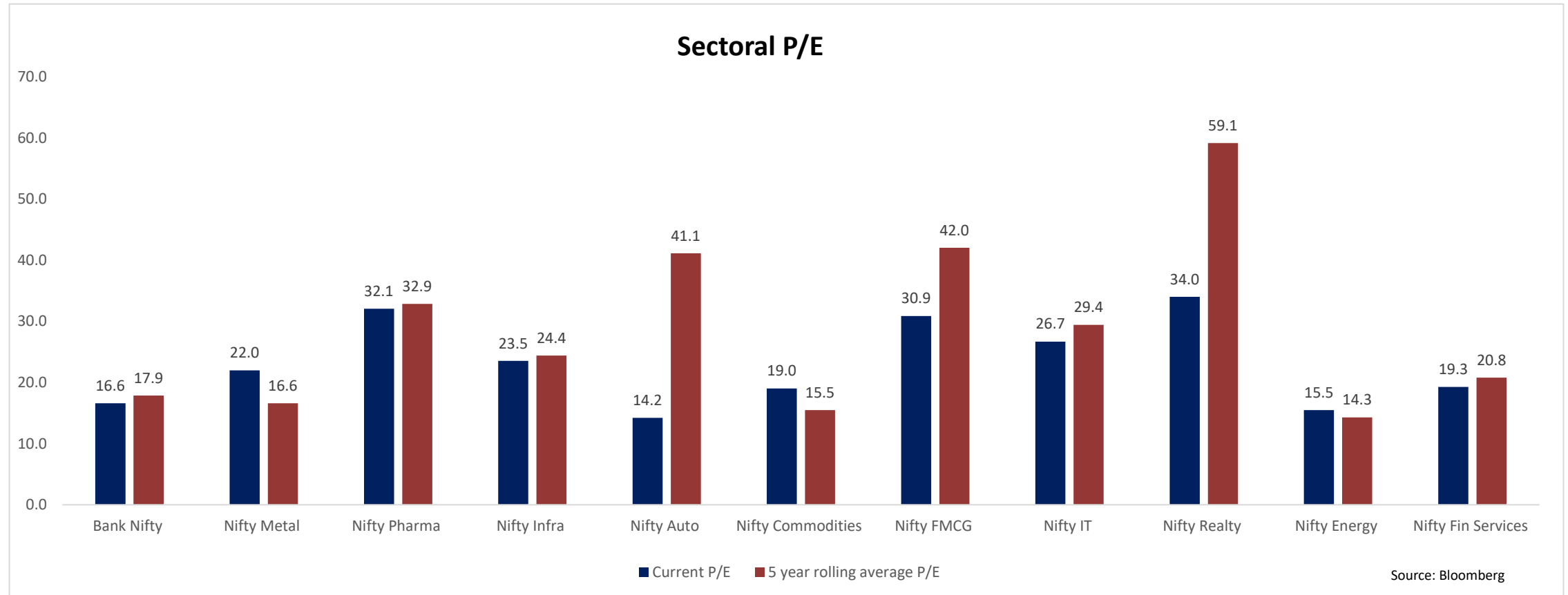
Index	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26
BSE 500	-3.49	-7.85	7.29	3.16	3.39	3.43	-2.87	-1.93	1.21	4.20	0.86	-0.25	-3.36
Auto	-0.26	-11.00	4.02	4.73	4.73	2.24	-1.11	5.78	5.89	1.04	3.14	1.31	-5.20
Bankex	-2.57	-2.50	8.55	5.17	0.85	1.62	-3.24	-3.34	2.48	5.56	3.10	-0.28	0.46
Basic Material	-1.39	-7.22	10.70	-0.62	4.22	5.43	-1.38	-2.36	2.45	2.63	-3.41	4.06	1.38
Capital Goods	-4.79	-14.39	13.55	0.09	13.24	1.75	-5.66	-4.13	4.39	3.10	-1.70	-3.03	-0.66
Consumer Discretionary	-7.01	-10.36	4.40	3.98	4.32	3.49	-1.47	2.52	0.96	1.91	-0.18	-1.42	-6.86
Consumer Durables	-10.22	-8.45	2.67	5.65	0.86	3.17	-0.52	1.96	-4.85	4.97	2.16	-3.01	-7.79
Energy	-0.67	-9.09	9.46	5.02	1.95	3.09	-4.70	-3.87	4.22	5.82	-0.42	1.75	-2.54
FMCG	-1.04	-10.57	5.79	5.17	-0.71	-0.33	1.61	0.21	-2.44	2.75	-1.22	-0.31	-7.90
Finance	-2.90	-3.02	7.97	4.61	3.08	3.43	-2.66	-3.82	2.34	4.78	2.30	-0.64	-1.79
Healthcare	-7.67	-8.59	8.40	1.91	0.93	3.88	2.51	-3.86	-1.25	3.38	0.80	-2.41	-5.60
IT	-2.85	-12.58	-1.52	-2.97	5.26	3.33	-8.69	-1.07	-3.64	5.51	3.69	1.18	-0.33
Infra	-3.88	-13.81	12.36	0.70	5.03	2.72	-3.81	-4.75	4.44	3.21	-2.78	-1.27	-2.10
Metal	-1.12	-1.98	10.07	-5.76	5.89	3.04	-2.56	-1.61	9.43	5.64	-2.89	7.91	5.52
Oil & Gas	-2.44	-11.23	11.34	5.40	2.03	3.10	-3.84	-4.69	5.36	6.43	-1.51	1.78	-2.07
Power	-5.92	-12.06	14.32	0.90	2.37	1.95	-3.45	-4.56	5.04	3.14	-4.51	-1.66	-1.70
Realty	-13.16	-13.42	6.63	3.99	7.21	3.84	-7.33	-4.48	-0.36	9.20	-4.69	-2.96	-10.34
Telecom	-3.32	-10.25	6.84	8.73	3.55	6.10	-7.79	-4.48	0.48	7.22	2.40	1.87	-4.73
Utilities	-5.48	-10.61	15.05	1.02	-0.85	2.95	-2.20	-4.47	5.11	3.18	-5.57	-0.96	-2.42

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	7.24%	31.59%	5.73%	7.70%	6.25%	6.31%	3.95%	8.12%	0.12%	10.97%	0.10%	6.23%	3.61%	0.24%	1.80%
360 ONE MF	7.15%	30.76%	15.05%	5.04%	1.20%	11.07%	5.25%	4.83%	0.00%	2.94%	0.00%	3.37%	9.41%	0.00%	0.02%
Abakkus MF	0.00%	8.36%	1.60%	2.48%	1.99%	0.96%	1.47%	1.39%	0.00%	0.93%	0.00%	0.08%	0.00%	0.00%	0.00%
Aditya Birla SL MF	9.17%	30.46%	5.48%	6.69%	6.16%	8.35%	3.54%	9.61%	0.00%	6.62%	0.43%	6.25%	3.01%	0.47%	1.61%
Axis MF	8.92%	26.48%	10.09%	7.01%	2.89%	10.12%	4.01%	6.45%	0.03%	4.35%	0.32%	9.01%	3.56%	0.32%	1.52%
Bajaj Finserv MF	8.98%	30.62%	5.92%	3.52%	5.68%	11.17%	3.62%	5.03%	0.04%	3.77%	1.06%	12.92%	3.28%	1.08%	1.00%
Bandhan MF	4.69%	30.54%	5.44%	6.18%	5.80%	7.86%	5.46%	7.01%	0.11%	6.06%	1.38%	8.51%	2.14%	0.95%	2.83%
Bank of India MF	7.62%	21.74%	12.65%	12.24%	6.52%	5.99%	3.40%	4.67%	0.43%	6.28%	0.33%	8.24%	2.76%	1.18%	2.04%
Baroda BNP Paribas MF	9.68%	25.03%	8.30%	7.03%	5.37%	9.70%	2.86%	6.87%	0.00%	8.33%	0.35%	9.31%	2.38%	0.00%	1.27%
Canara Robeco MF	8.81%	25.68%	8.85%	5.33%	6.84%	13.43%	5.52%	6.54%	0.08%	5.15%	0.94%	7.42%	2.69%	0.32%	1.82%
Capitalmind MF	8.75%	31.61%	6.51%	16.66%	0.00%	3.00%	0.00%	1.14%	0.00%	5.07%	0.00%	3.58%	3.06%	0.00%	0.00%
DSP MF	8.88%	28.26%	7.56%	7.75%	3.64%	6.10%	3.44%	7.44%	0.00%	6.74%	0.19%	11.38%	2.78%	0.81%	0.78%
Edelweiss MF	8.84%	29.86%	10.47%	8.40%	4.81%	8.29%	3.85%	7.10%	0.00%	3.85%	0.27%	8.29%	2.41%	0.77%	1.02%
Franklin Templeton MF	5.97%	26.41%	8.77%	5.59%	4.11%	10.34%	4.39%	8.66%	0.02%	7.45%	0.20%	7.69%	3.76%	0.52%	1.97%
Groww MF	9.07%	38.32%	7.01%	7.32%	0.78%	2.77%	4.83%	3.23%	0.00%	3.05%	0.00%	4.31%	3.84%	0.00%	2.81%
HDFC MF	11.29%	30.49%	6.08%	5.31%	3.44%	6.46%	2.11%	6.05%	0.28%	4.63%	0.12%	9.76%	2.72%	0.43%	3.19%
Helios MF	5.96%	36.84%	8.21%	1.02%	2.61%	12.56%	5.37%	2.18%	0.39%	9.79%	0.00%	5.69%	2.38%	1.32%	4.72%
HSBC MF	5.45%	31.05%	14.80%	4.53%	5.75%	10.35%	4.84%	5.52%	0.00%	3.99%	0.60%	5.16%	2.05%	1.99%	2.29%
ICICI Pru MF	8.74%	25.25%	5.39%	6.75%	4.63%	6.73%	5.20%	8.39%	0.21%	10.33%	1.12%	7.14%	3.03%	0.57%	2.16%
Invesco MF	5.88%	30.61%	8.74%	2.35%	1.13%	15.27%	5.65%	6.67%	0.00%	1.96%	0.69%	12.70%	1.34%	0.01%	4.70%
ITI MF	7.02%	29.69%	12.95%	8.69%	4.35%	7.42%	4.07%	4.79%	0.00%	4.24%	1.03%	10.64%	1.99%	0.73%	1.27%
JM Financial MF	5.93%	29.82%	8.92%	5.94%	5.26%	8.62%	4.34%	7.98%	0.16%	3.09%	0.00%	9.15%	3.79%	1.52%	3.49%
Kotak Mahindra MF	8.72%	24.65%	9.42%	11.46%	2.94%	9.31%	4.17%	7.74%	0.41%	6.25%	0.10%	8.01%	3.33%	0.18%	1.37%
LIC MF	8.26%	23.26%	18.22%	5.82%	7.92%	6.62%	4.09%	5.14%	0.17%	3.60%	0.55%	7.44%	2.00%	0.84%	2.03%
Mahindra Manulife MF	8.02%	27.40%	10.08%	7.90%	4.41%	6.69%	2.43%	7.09%	0.14%	6.09%	0.29%	10.34%	3.34%	1.35%	1.55%
Mirae Asset MF	7.86%	30.42%	4.07%	5.39%	6.14%	9.87%	3.93%	7.71%	0.00%	5.72%	0.16%	10.37%	3.73%	0.05%	3.20%
Motilal Oswal MF	4.57%	20.08%	15.66%	2.12%	0.75%	17.26%	2.41%	13.29%	0.00%	0.84%	0.25%	2.70%	6.22%	0.21%	0.55%
Navi MF	8.74%	33.62%	11.75%	4.10%	5.26%	6.04%	1.96%	6.46%	0.09%	4.93%	0.00%	7.39%	2.60%	0.37%	2.18%
Nippon India MF	7.06%	26.52%	10.82%	4.97%	6.35%	12.88%	2.69%	4.57%	0.29%	7.72%	0.57%	10.15%	1.02%	0.71%	1.69%
NJ MF	15.40%	26.26%	0.19%	4.20%	16.66%	3.66%	0.00%	13.39%	0.00%	3.11%	0.00%	10.84%	0.00%	2.60%	3.28%
Old Bridge MF	8.20%	15.58%	0.00%	17.37%	6.30%	2.51%	4.02%	7.41%	0.00%	0.00%	2.58%	12.51%	4.66%	0.00%	12.26%
PGIM India MF	7.75%	25.32%	8.57%	8.89%	4.77%	12.68%	3.08%	6.61%	0.00%	3.24%	0.00%	10.73%	2.94%	0.05%	1.58%
PPFAS MF	7.86%	27.06%	0.02%	0.00%	5.86%	2.06%	0.00%	10.74%	0.00%	10.94%	0.00%	4.01%	3.38%	0.00%	4.12%
Quant MF	5.63%	21.62%	3.54%	7.58%	5.17%	3.43%	9.76%	3.36%	1.28%	17.44%	1.16%	10.30%	1.83%	1.64%	1.25%
Quantum MF	10.46%	37.69%	1.57%	4.39%	0.93%	4.96%	0.00%	16.08%	0.16%	3.70%	0.51%	5.52%	2.67%	0.00%	5.05%
Samco MF	12.56%	34.44%	11.87%	5.11%	3.81%	5.06%	1.07%	1.70%	0.00%	1.84%	0.76%	8.82%	0.91%	0.17%	3.11%
SBI MF	8.07%	26.33%	5.95%	7.63%	5.08%	9.36%	3.14%	5.42%	0.08%	9.50%	1.55%	6.20%	2.87%	1.24%	1.80%
Shriram MF	10.62%	33.43%	3.07%	2.52%	2.46%	4.83%	1.73%	10.08%	0.24%	9.22%	0.00%	10.21%	4.84%	0.00%	5.54%
Sundaram MF	7.06%	28.70%	7.94%	5.36%	5.55%	9.84%	3.84%	6.70%	0.18%	6.89%	0.32%	7.46%	4.30%	0.10%	2.15%
Tata MF	4.88%	22.66%	7.64%	7.62%	5.40%	7.00%	3.34%	15.90%	0.14%	6.21%	0.82%	6.41%	2.84%	0.51%	3.16%
Taurus MF	8.59%	19.86%	6.20%	7.65%	8.88%	3.85%	1.34%	9.81%	0.00%	14.41%	0.00%	10.62%	4.23%	0.72%	0.96%
The Wealth Company MF	11.40%	29.27%	8.84%	8.23%	0.57%	4.27%	5.10%	15.38%	0.00%	6.42%	0.00%	2.40%	3.41%	0.00%	0.41%
Trust MF	8.62%	30.75%	12.19%	4.60%	2.22%	7.93%	3.28%	6.72%	0.00%	2.75%	0.00%	8.27%	1.80%	0.00%	3.71%
Unifi MF	6.81%	29.88%	3.35%	7.70%	4.06%	0.93%	3.88%	8.23%	0.00%	6.74%	2.34%	11.40%	5.56%	1.06%	4.83%
Union MF	9.63%	28.93%	10.94%	6.00%	3.41%	9.55%	4.47%	7.38%	0.21%	7.33%	0.00%	3.11%	3.11%	0.50%	1.18%
UTI MF	10.27%	25.80%	5.88%	5.05%	4.11%	13.96%	2.74%	10.09%	0.21%	4.66%	0.46%	8.84%	3.08%	0.47%	1.77%
WhiteOak Capital MF	5.99%	31.26%	8.29%	4.63%	2.48%	9.72%	2.12%	8.01%	0.01%	3.45%	1.62%	11.53%	4.41%	0.04%	1.94%

Data as on 31th December 2025

Source : ICRA Analytics Limited

US trade tariffs: India gets a better deal vs. EM peers

Country/Territory	Adjusted Reciprocal Tariff
India	18%
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

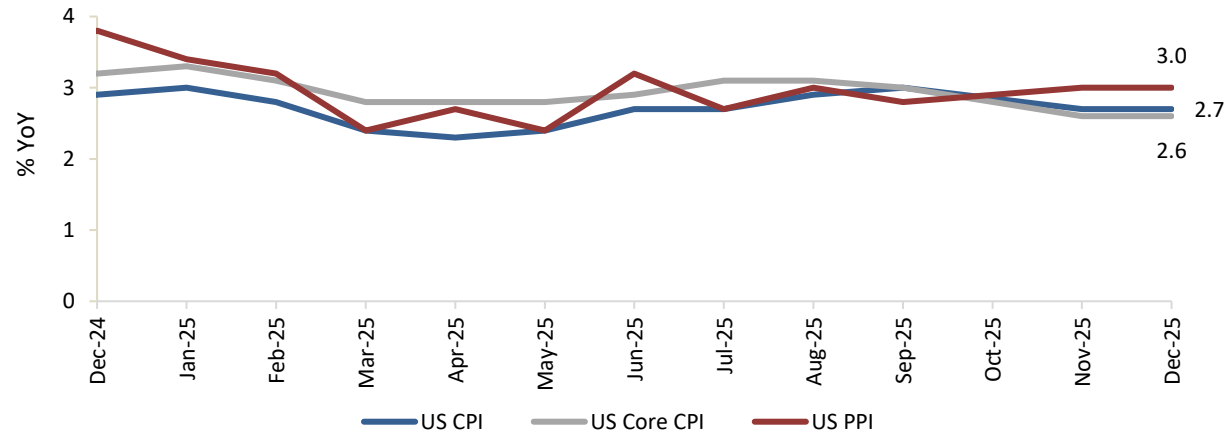
Fixed Income Market

Fixed Income Outlook and Strategy – February 2026

- Despite RBI's continuous effort to provide system with enough liquidity, it remained at a tight surplus zone as RBI had to defend the INR currency and also due to higher currency in circulation. Going forward, the positive sentiment on the back of the two large trade deals may bring back FPI flows, and RBI's Open Market Operations (OMO's) should be supportive of liquidity conditions.
- The CPI inflation for December 2025 accelerated marginally to 1.33% YoY but stayed below the lower band of RBI's target range and also below market expectations of 1.50%. Though the new CPI series may have a bump up effect on headline inflation, the same may still remain benign for now, giving the Central Bank enough room to ease policy rates if required basis ongoing growth-inflation dynamics.
- Issues on the external front due to the delay in a trade deal with US and persistent outflows from FPIs had led to currency depreciation and an elevated trade deficit. Going forward, the India-US Bilateral Trade Agreement (BTA) and India-EU Free Trade Agreement (FTA) may provide support to the INR.
- In the Union Budget 2026-27, the government continued on its fiscal consolidation path and has estimated the FY27 fiscal deficit to moderate further to 4.3%, while also looking at a reduced debt-to-GDP at 55.6% to align its long-term goal of reaching 50% +/- 1% by FY31.
- The government also continued its thrust on capex. However, in the economic survey, it was noted that they are expecting incremental push from the private sector to aid the capex drive. Despite the higher capex allocation, overall budget numbers are conservative and hence look both credible and achievable.
- Although the benign inflation allows enough space to manoeuvre policy rates if required, the Indian Central Bank may have reached the terminal rate for now. Market participants will be keenly watching for announcements around liquidity till the positive effects of the recently concluded trade deals start to show.
- In the US, the Fed, in its latest policy, kept the rates unchanged despite a persistent divide among Fed members and pressure from President Donald Trump's to cut rates. Going forward, the market will look for cues from new Fed Chair nominee Kevin Warsh, who is expected to cut rates but rein in liquidity support.
- With stable policy support, the EU has been able to show resilience amidst recent geopolitical issues. Going forward, the ECB is expected to stay on pause mode.
- Globally, most Central Banks are more or less done with policy easing and are nearing terminal rates, with some starting with rate hikes. Henceforth, we may see a hawkish pause across major economies.
- The Central government's continuous focus on fiscal prudence, leading to a decline in fiscal deficit and reduction of the debt-to-GDP ratio over the long term, is a positive for the bond market.
- High supply and low demand continued to keep yields elevated for Indian G-secs. Going forward, given the higher-than-expected net and gross borrowing numbers, the market may see some volatility in the short to medium term. The probable inclusion in Bloomberg's aggregate bond index may provide positive impetus as well.
- Recently, the Corporate bond yield curve became inverted at the shorter end. Going forward, as liquidity support is expected to persist, investors may look to navigate through the volatility via accrual funds.
- 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 FoF or consider Dynamic Bond Funds for tactical opportunity.
- As yields in the less than 1-year segment remain tight, for a horizon of 3 months and above, investors can consider Arbitrage Funds, Money Market Funds and Ultra Short duration 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.

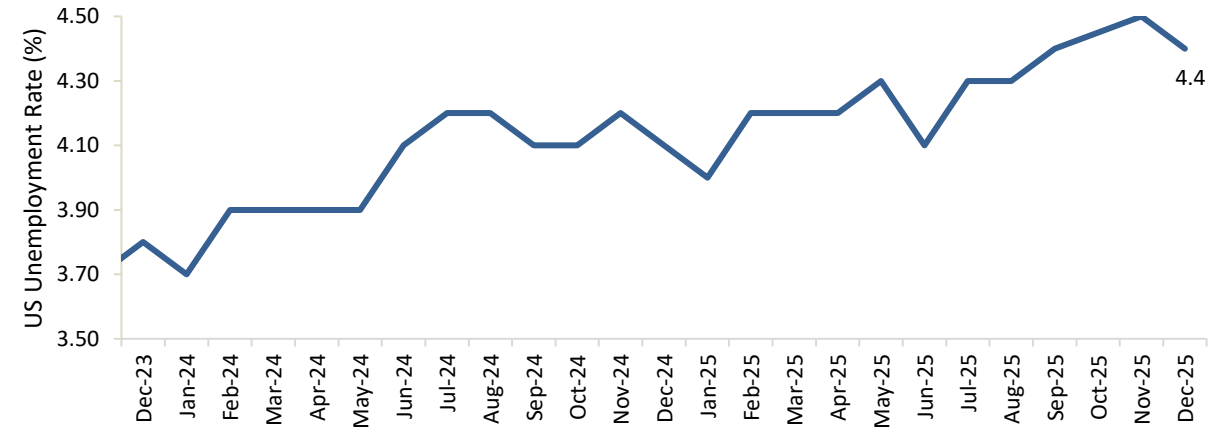
US – Amidst questions re-emerging about its independence, Fed holds the rates... Markets look for cues from Fed chair nominee Kevin Warsh

Inflation seems to have plateaued at 'somewhat elevated' levels and above Fed's target... Last mile journey continues to be remain sticky



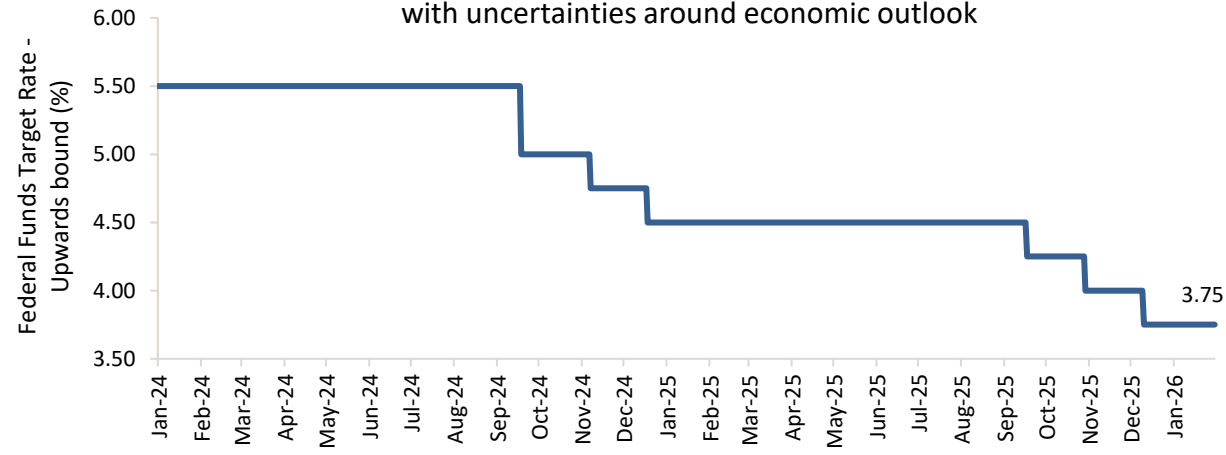
Source: Bloomberg

Unemployment rate still remains elevated compared to the recent average



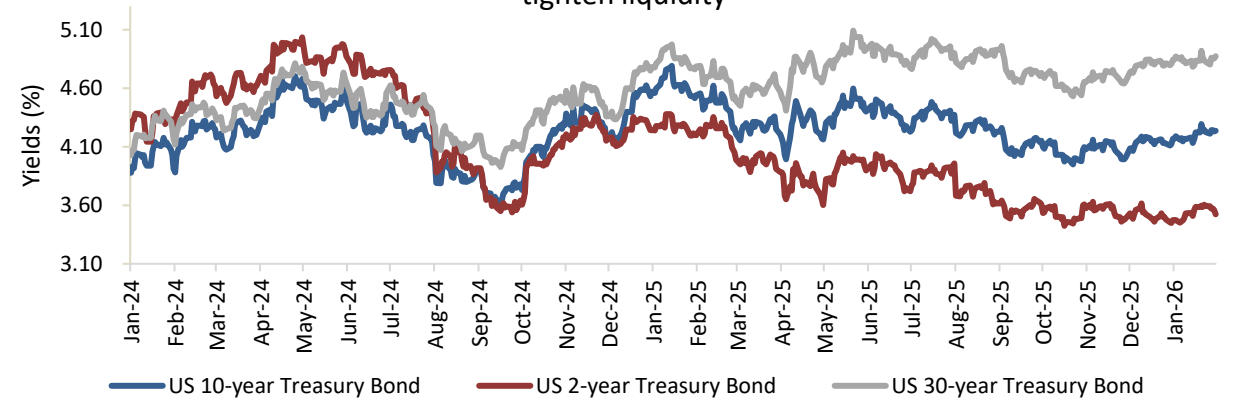
Source: Bloomberg

Fed holds the rates despite Donald Trump's call for reduction as it grapples with uncertainties around economic outlook



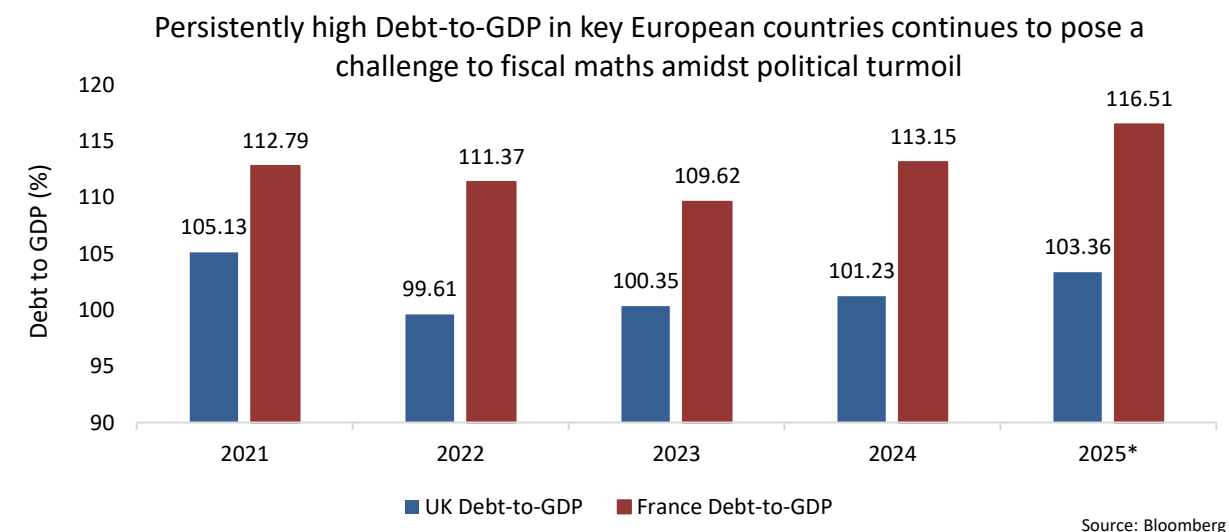
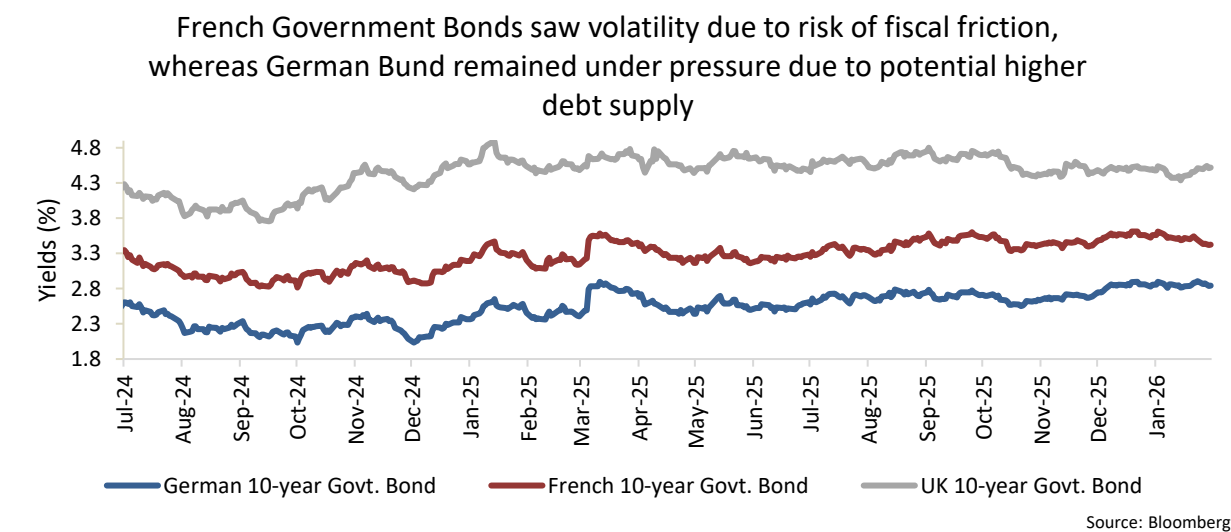
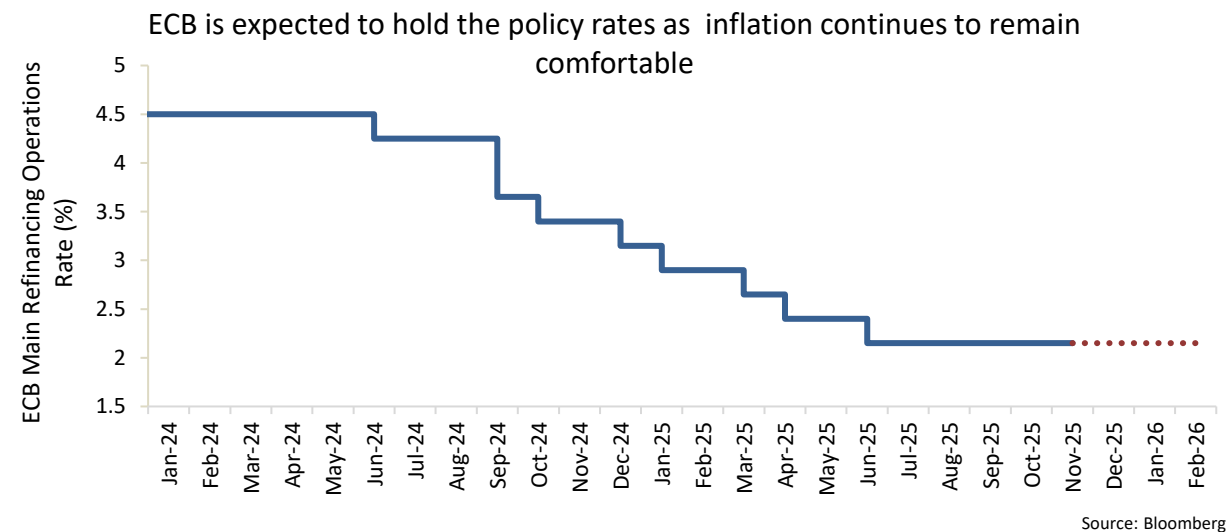
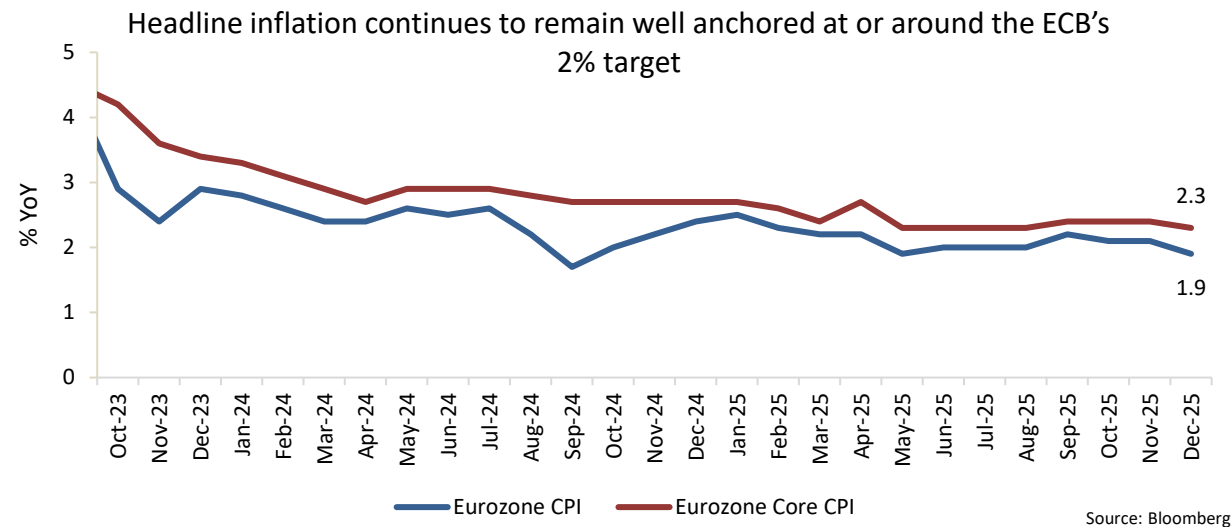
Source: Bloomberg

The announcement of Kevin Warsh as the nominee for next Fed chair led to volatility in bond yields across the curve... Warsh is expected to cut rates and tighten liquidity



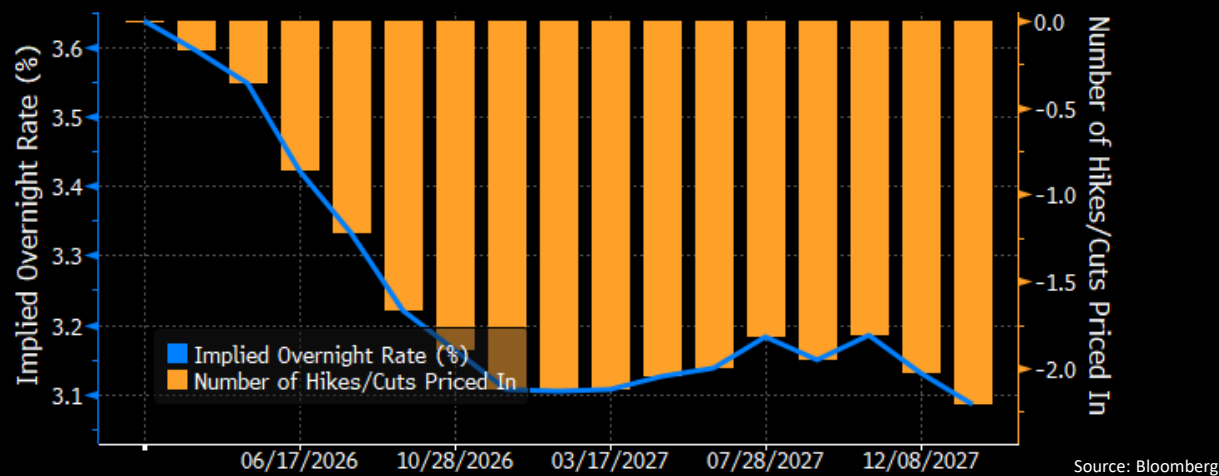
Source: Bloomberg

EU – Amidst Greenland Tariff shock, Davos De-escalation and Japanese duration contagion, policy stability in Europe provided support



Markets are pricing in 2 more 25 bps rate cuts by the US Fed in CY26... No cuts are expected in the EU

As Jerome Powell openly defends Fed's independence amidst being served a Grand Jury Subpoena, markets look for cues on further rate cuts



“Inflation is a choice... inflation and ensuring price stability was granted to the Federal Reserve by the Congress most recently in a review of its statutes in the 1970s so that there would be one agency that would be responsible for prices. No more blaming the other guy. We are giving the baton to you, the Central bank, go after it and get it...

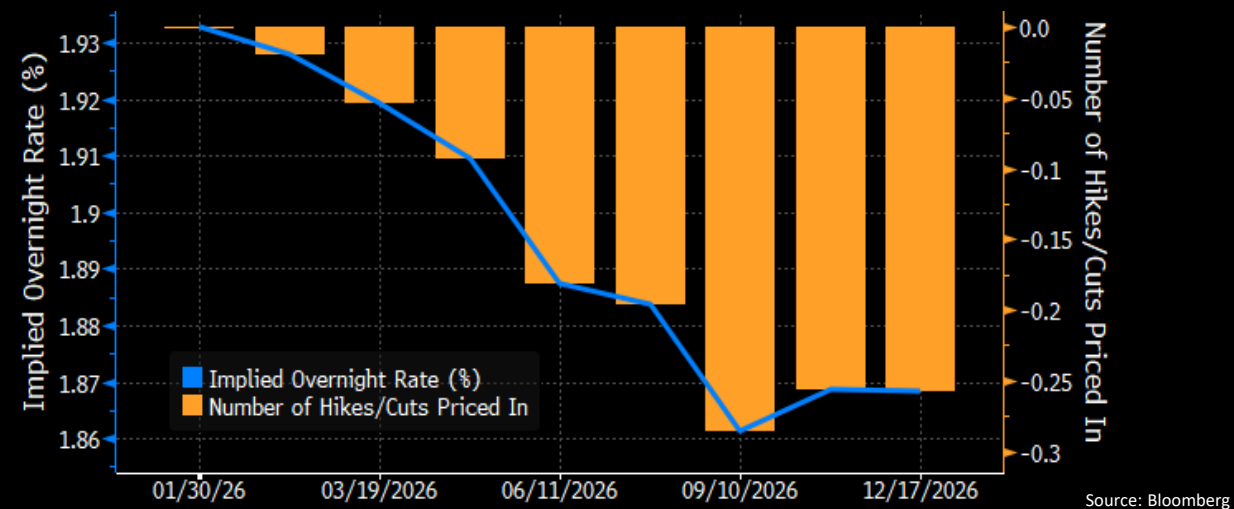
When Federal Reserve spends trillions, specially in benign times, it changes everything... But if you treat everyday for more than a decade like it's a crisis, then when actual crisis hits, you have to cross more lines”

- Kevin Warsh

Nominee for Fed Reserve Chair

Interview with Peter Robinson on Uncommon Knowledge

The ECB reconfirms stability and a data dependant approach

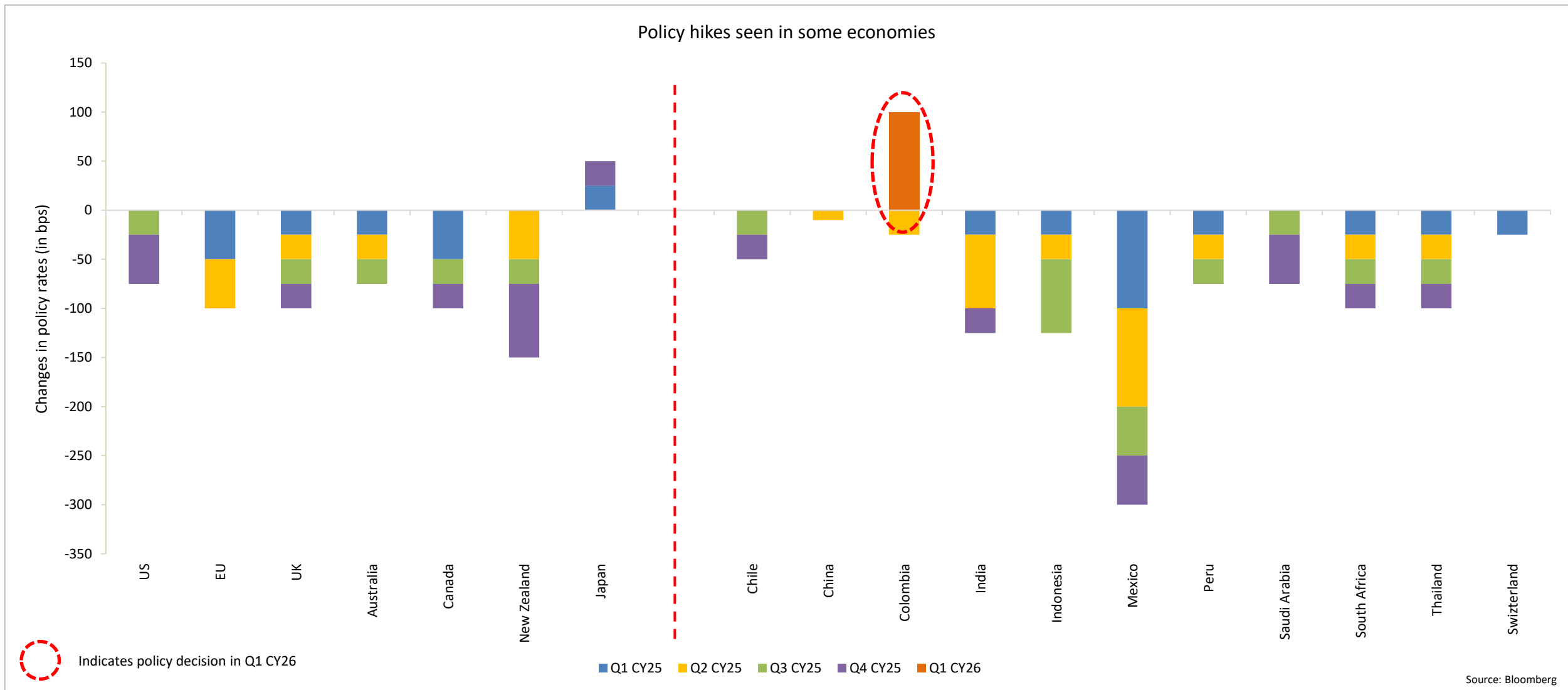


"The Governing Council's updated assessment had reconfirmed that inflation should stabilise at the 2% target in the medium term, with the incoming data also confirming that the economy had remained resilient. The December staff projections had strengthened confidence in the medium-term outlook. Despite the challenging global environment, euro area economic activity was proving more resilient than previously anticipated, with solid domestic demand and a strong fiscal impulse starting to take effect."

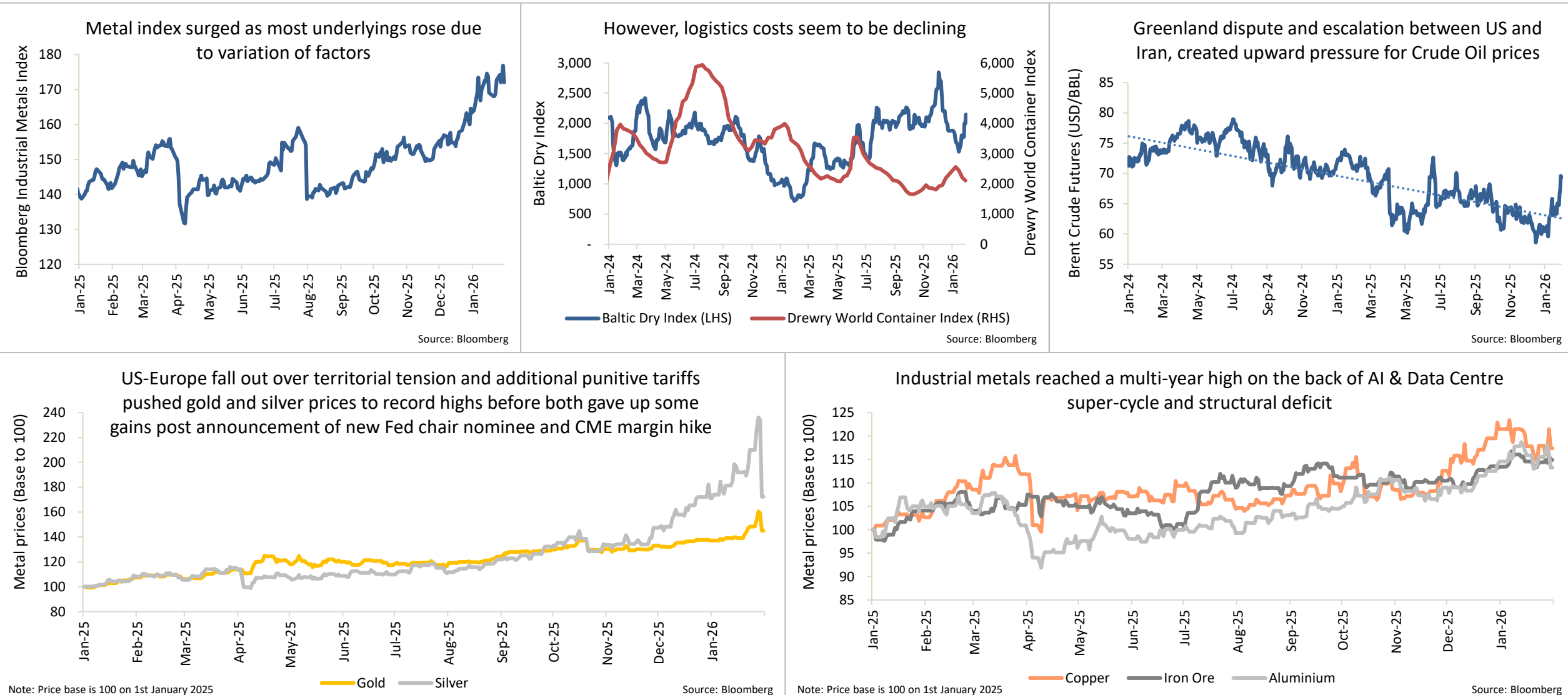
- Account of the monetary policy meeting of the ECB Governing Council

Frankfurt am Main on Wednesday and Thursday, 17-18 December 2025

Major Global central banks are likely on the fag end of the rate cutting cycle

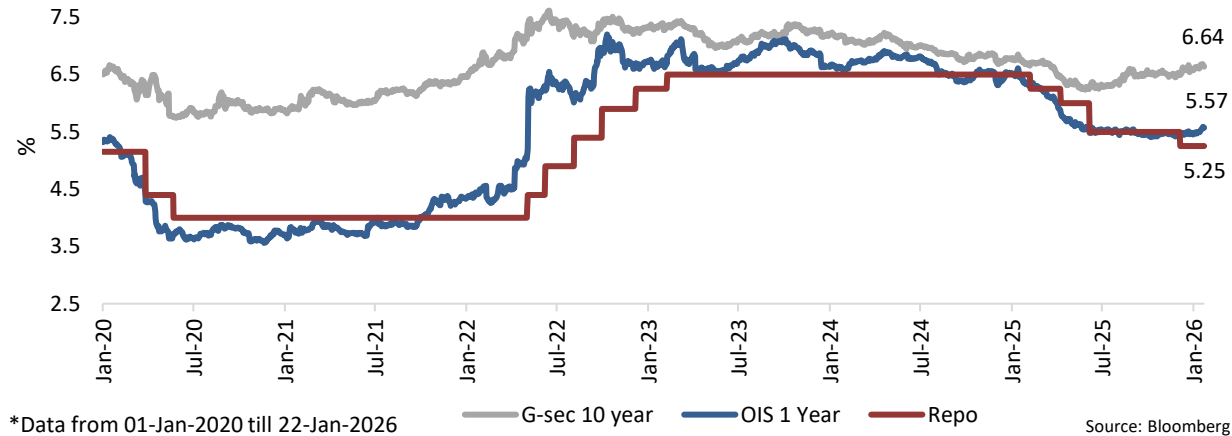


Global Commodities – Trump's tantrums & heightened geopolitical tensions increased risk premiums and safe haven demand for precious metals, pushing commodity prices higher



Rising CIC and Forex interventions offset a majority of the liquidity support provided by the RBI and kept system liquidity in neutral to marginally surplus range... The India-US trade deal may have a positive impact on liquidity in the near term

Since the latest Rate Cut, the 1-year OIS rate, which acts as a lead indicator for policy rates, is suggesting that we are close to the terminal Repo Rate

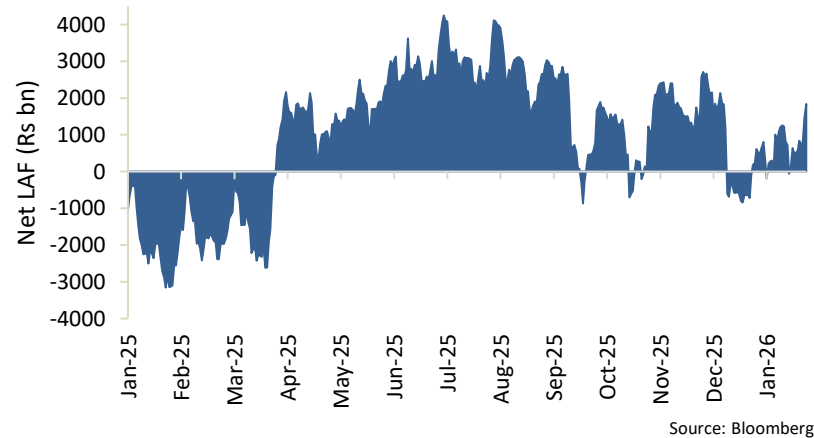


RBI kept pushing liquidity in the system with transmission of rates in focus...

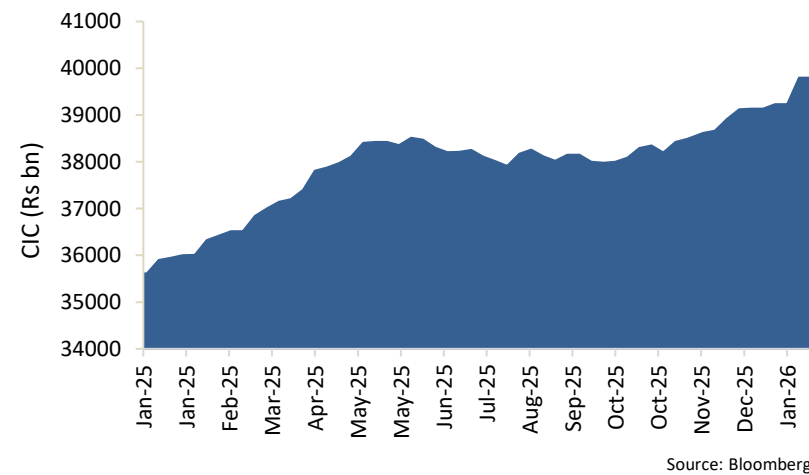
Announced on	Conducted on	Instrument	Amount (Rs bn)
23-Dec-25	05-Jan-26	OMO	500
23-Dec-25	12-Jan-26		500
23-Dec-25	22-Jan-26		500
23-Jan-26	29-Jan-26		500
23-Jan-26	05-Feb-26		500
23-Jan-26	30-Jan-26	90 Days VRR	250
23-Dec-25	13-Jan-26	USD/INR Buy/Sell Swap auction*	920
23-Jan-26	04-Feb-26		920

Source: RBI

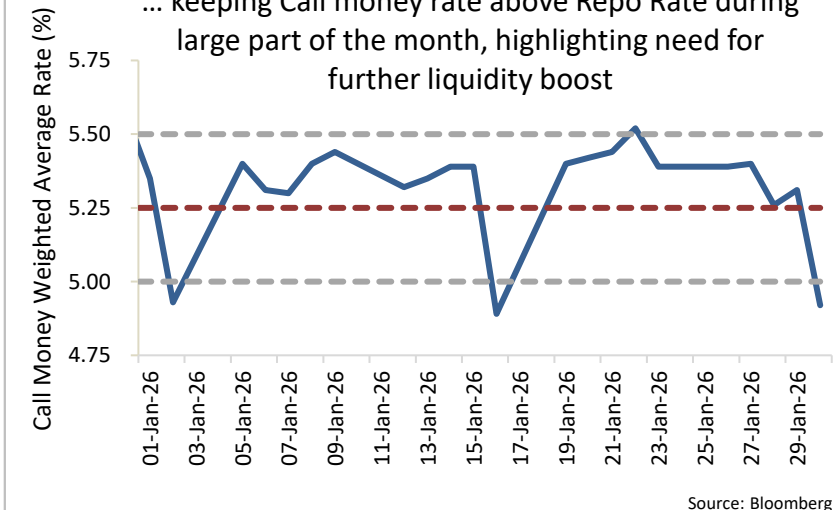
... but system liquidity remained in the 'tight surplus' zone due to continuous FPI outflows...



... and high Currency in Circulation (CIC)...

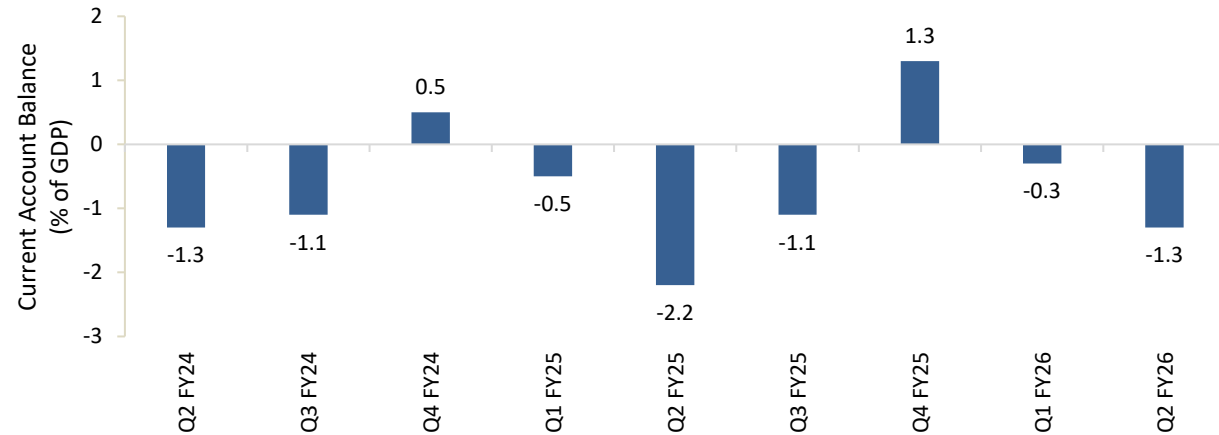


... keeping Call money rate above Repo Rate during large part of the month, highlighting need for further liquidity boost



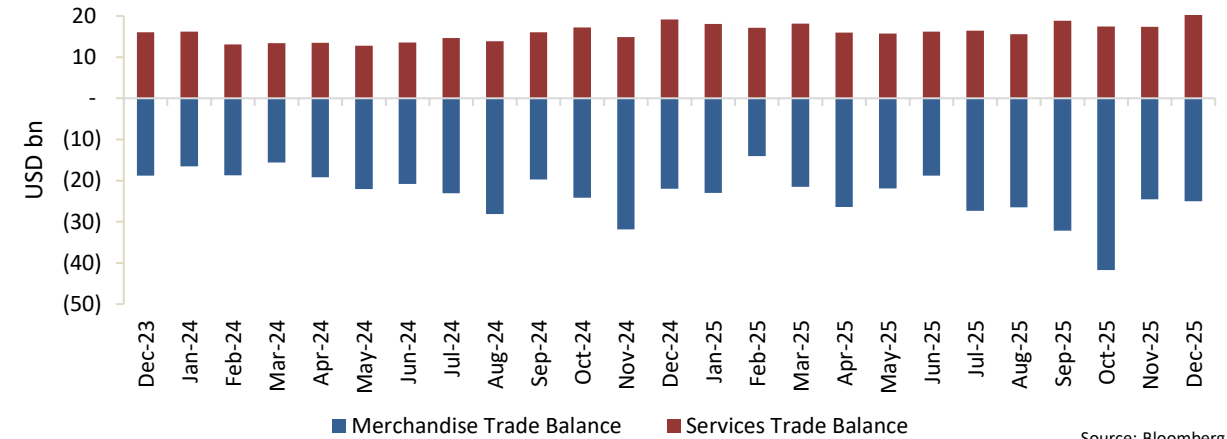
External sector continued to face the 'Trump challenge' via tariff delay and heightened transactional geopolitics, but showed resilience... The India-EU and India-US trade deals likely to be supportive

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



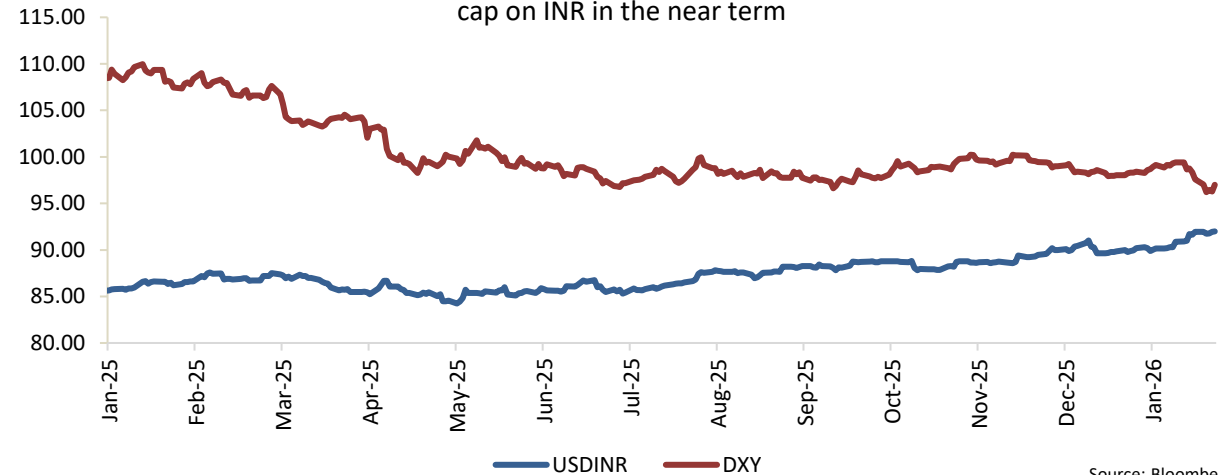
Source: Cogencis; RBI

... despite widening of the Merchandise trade deficit, it continued to get cushioned by the strong Services trade surplus



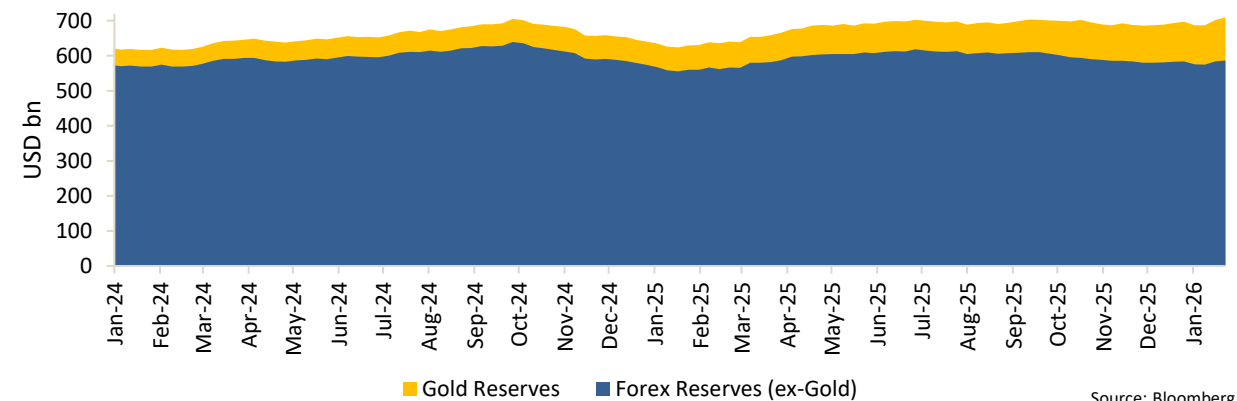
Source: Bloomberg

While INR depreciated during the month, the recent trade deals are likely to put a cap on INR in the near term



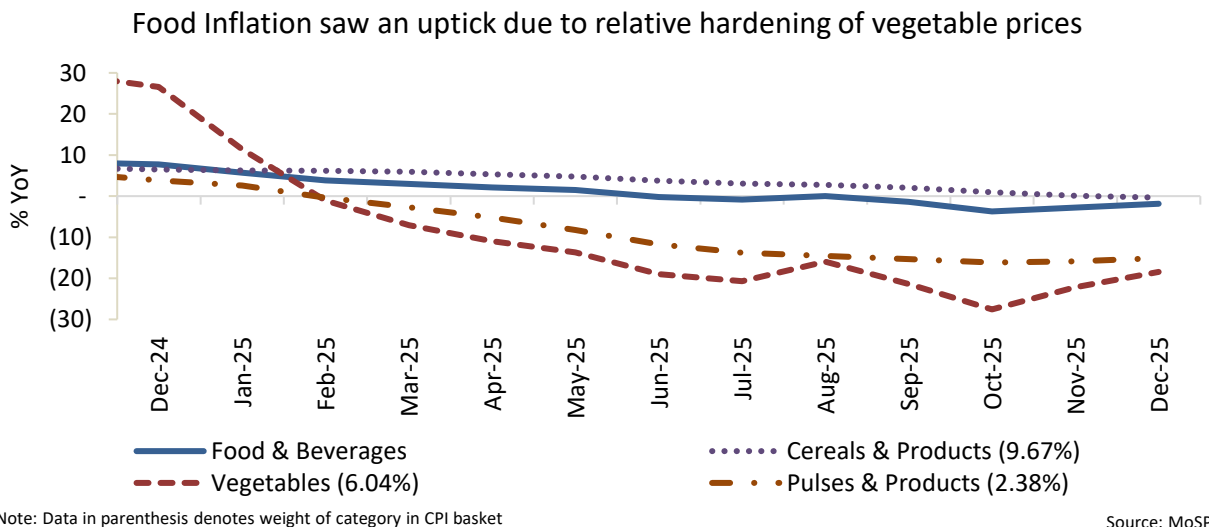
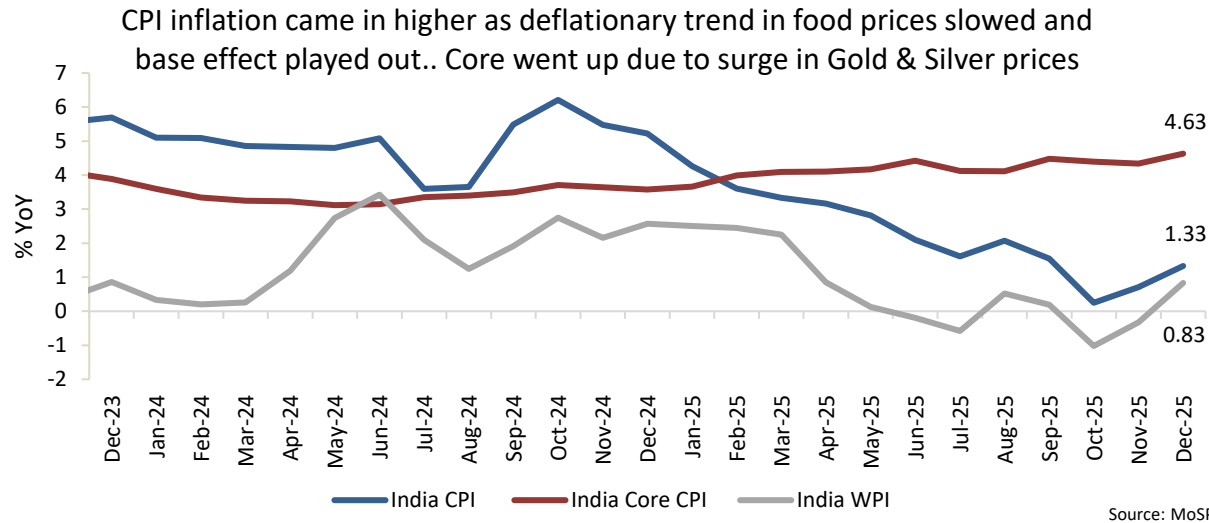
Source: Bloomberg

Forex Reserves saw a strategic shift towards higher allocation in Gold revaluation of which pushed the number to an all time high despite mid month volatility



Source: Bloomberg

Headline inflation continues to remain below the lower range of RBI's target band... In the new CPI series, inflation could see a marginal bump up



Bump up on inflation expected as food items see lower weight in the new series

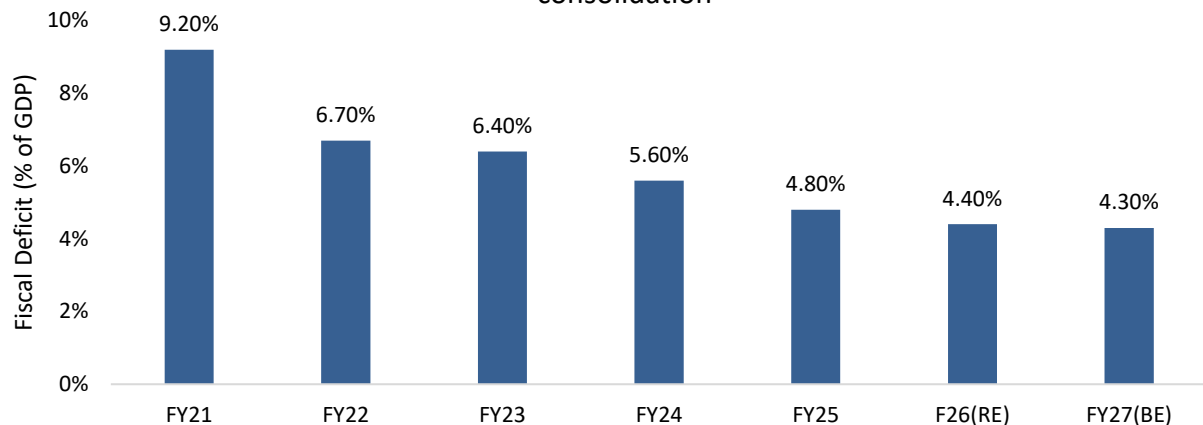
CPI items	Old Series	New Series
Food and Beverages	45.9	40.1
Cereals and products	9.7	6.1
Meat and Fish	3.6	3.5
Oils and Fats	3.6	2.7
Vegetables	6	5.1
Pulses	2.4	1.7
Spices	2.5	2.3
Prepared meals	5.6	4.4
Milk and milk products	6.6	6.8
Egg	0.4	0.5
Fruits and nuts	2.9	3.7
Sugar	1.4	1.4
Non-alcoholic beverages	1.3	1.8
Pan Tobacco and Intoxicants	2.4	3
Fuel and Light	6.8	5.4
Core Inflation Basket	44.9	51.6
Clothing and Footwear	6.5	6.4
Housing	10.1	12.3
Miscellaneous	28.3	32.9
HH goods and services	3.8	4.5
Health	5.9	6.1
Transport and Communication	8.6	12.4
Personal care and effects	3.9	5
Recreation and Amusement	1.7	1.5
Education	4.5	3.3

Note: The new weight categories for some items is categorised differently (for instance, "Restaurant and accommodation service" is a new item category) and we have bunched up items to align with the old series to provide a sense of weight changes.

Source: MoSPI, HDFC Bank

Union Budget: Government continues to focus on fiscal consolidation, however higher than expected borrowing may bring in short term volatility (1/2)

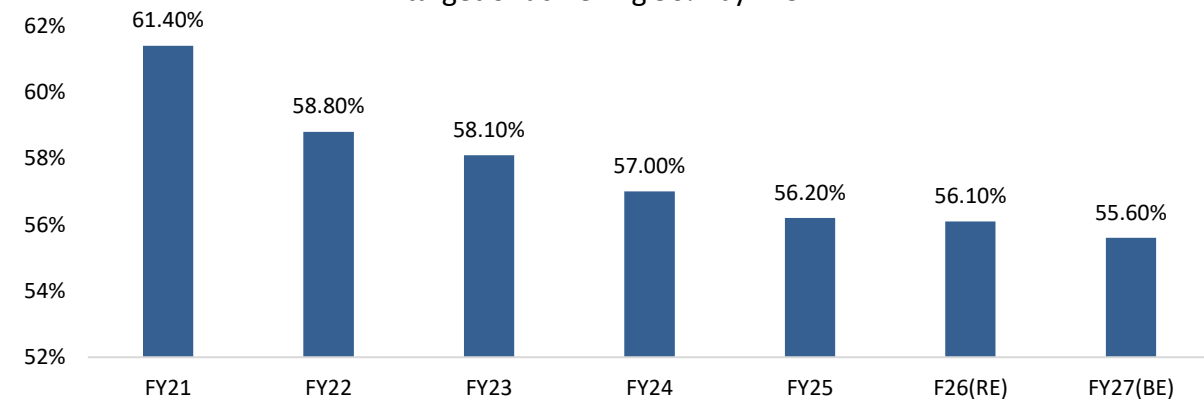
Fiscal Deficit trend shows Government's continued focus on fiscal consolidation



Note: RE – Revised Estimate; BE – Budget Estimates

Source: Union Budget Document

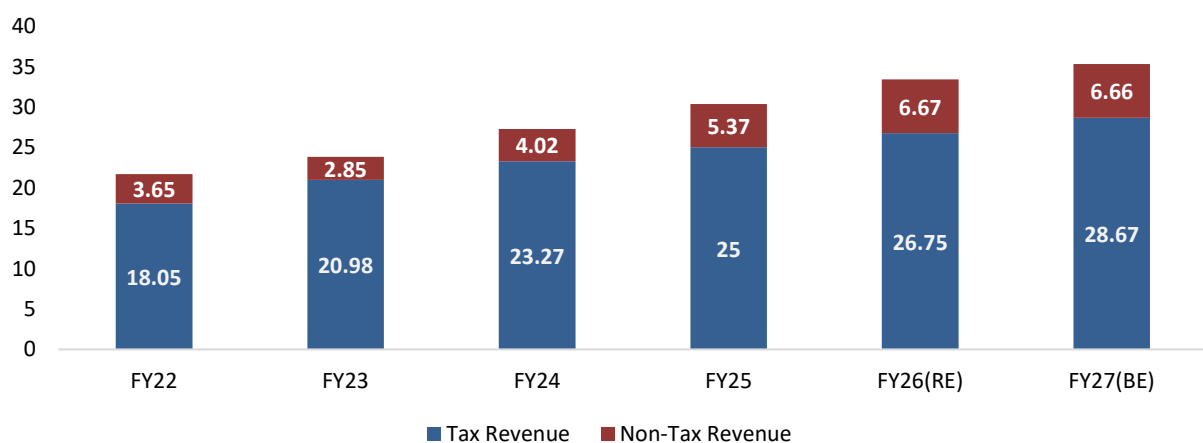
Debt as a percentage of GDP is also seeing moderation in line with broader target of achieving 50% by FY31



Note: RE – Revised Estimate; BE – Budget Estimates

Source: Union Budget Document

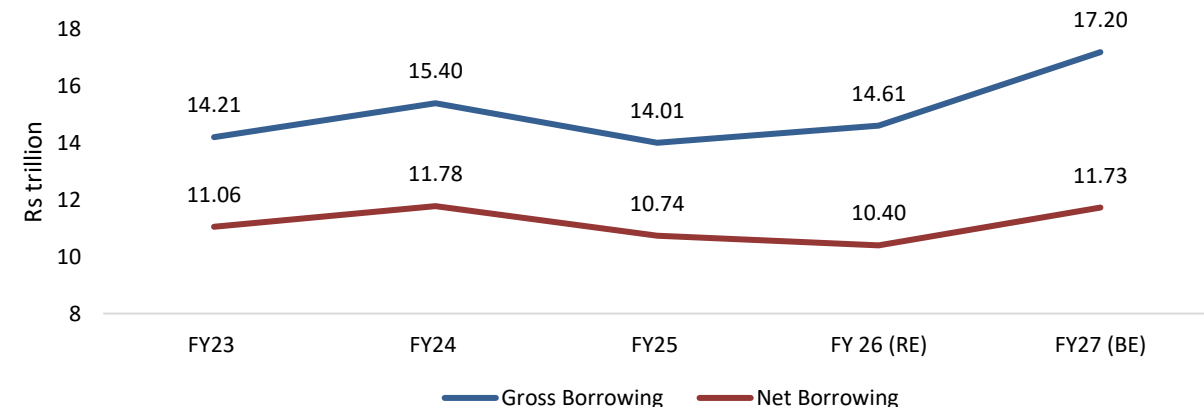
Tax revenue growth has been projected at a modest 7.19%



Note: RE – Revised Estimate; BE – Budget Estimates

Source: Union Budget Document

Both Gross and Net borrowing were higher than expected and may affect bond yields negatively in the short to medium term



Note: RE – Revised Estimate; BE – Budget Estimates

Source: Union Budget Document

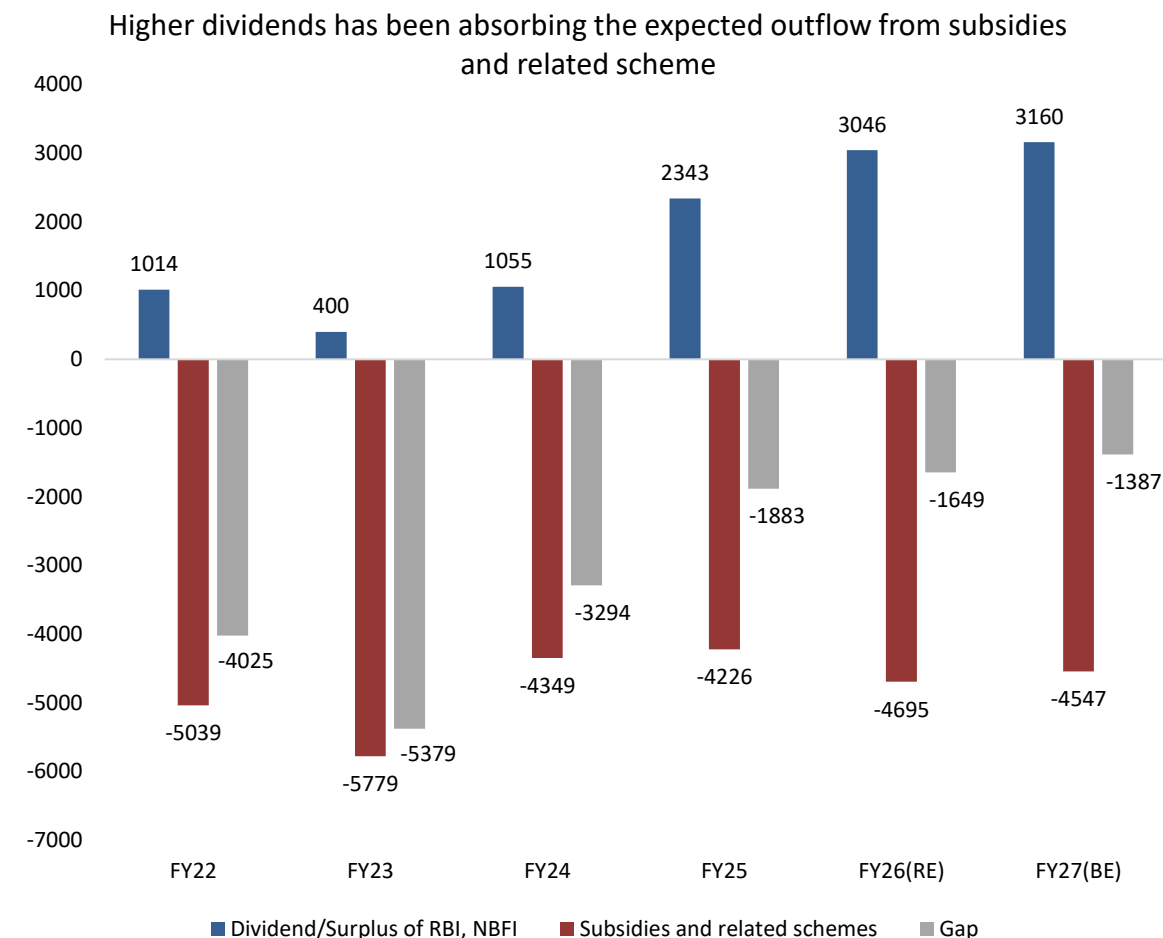
Union Budget: Government continues to focus on fiscal consolidation, however higher than expected borrowing may bring in short term volatility (2/2)

Particulars (Rs. Bn)	2024-2025 Actual	2025-2026 BE	2025-2026 RE	2026-2027 BE	% Change*
A. Revenue Receipts	30,366.19	34,204.09	33,423.23	35,331.50	5.71%
Tax Revenue (net to centre)	25,000.39	28,374.09	26,746.61	28,669.22	7.19%
Non-tax Revenue	5,365.80	5,830.00	6,676.62	6,662.28	-0.21%
B. Capital Receipts	16,162.49	16,449.36	16,225.19	18,141.65	11.81%
Total Receipts (A+B)	46,528.68	50,653.45	49,648.42	53,473.15	7.70%
Total Expenditure	46,528.67	50,653.45	49,648.42	53,473.15	7.70%
Revenue Expenditure	36,009.14	39,442.55	38,690.87	41,254.94	6.63%
Capital Expenditure	10,519.53	11,210.90	10,957.55	12,218.21	11.50%
Revenue Deficit	5,642.96	5,238.46	5,267.64	5,923.44	12.45%
as a % of GDP	1.7%	1.5%	1.5%	1.5%	-
Fiscal Deficit	15,744.31	15,689.36	15,584.92	16,957.68	8.81%
as a % of GDP	4.8%	4.4%	4.4%	4.3%	-
GDP	3,28,006.46[#]	3,56,979.23	3,57,138.86	3,93,003.93	10.04%

Note: All figures in Rs. Bn, except the YoY % figures.

* % Change is FY27BE over FY26RE.

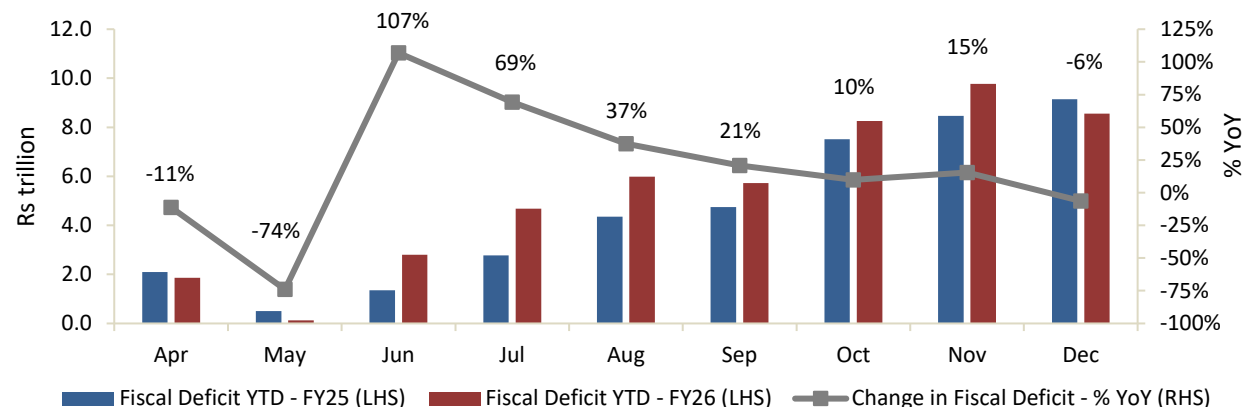
[#]Calculated basis fiscal deficit numbers.



Source: Union Budget Document

Continued focus on fiscal consolidation is expected to be positive for G-sec yields... Higher than expected gross borrowing may add to the volatility... Likely Bloomberg inclusion may support demand

Fiscal Deficit (YTD) narrowed compared to previous year, giving comfort that final numbers will be in line with Budget estimates



Source: CGA

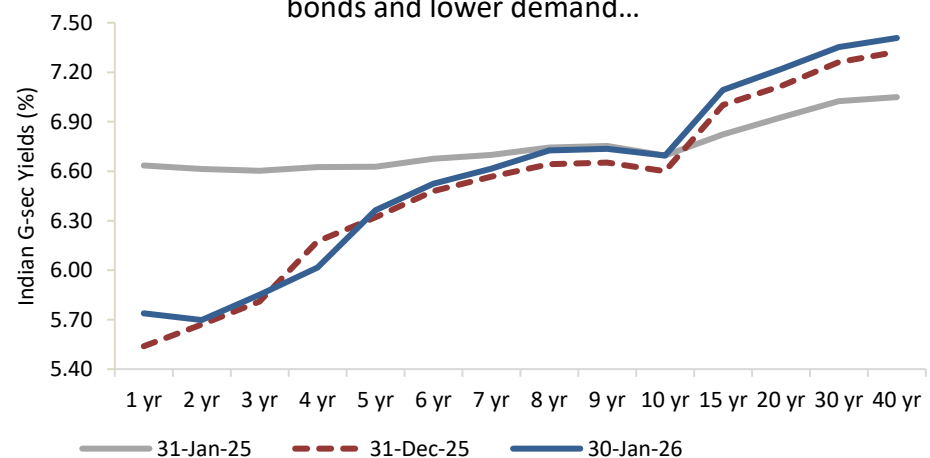
Higher than expected budgeted borrowing may keep yields volatile in the near term

Fiscal Year	Gross Borrowing (Rs Trillion)	Net Borrowing (Rs Trillion)
FY27 (BE)	17.2	11.73
FY 26 (RE)	14.61	10.4
FY25 (Actuals)	14.01	10.74
FY24 (Actuals)	15.4	11.78
FY23 (Actuals)	14.21	11.06

Note: RE- Revised Estimate; BE - Budget Estimates

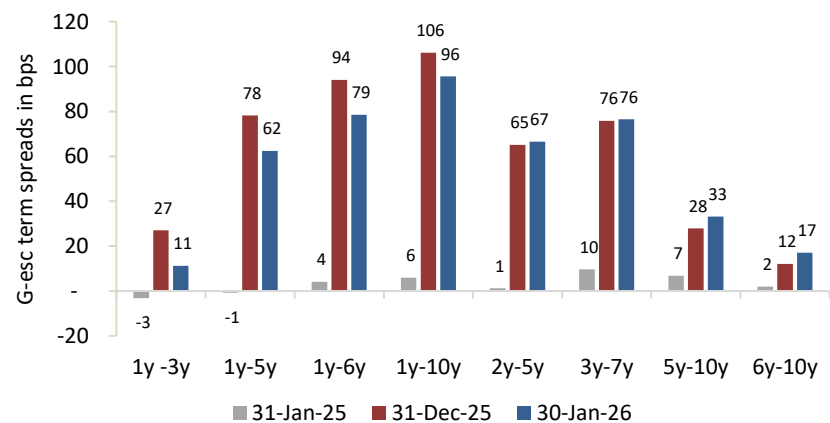
Source: Union Budget Document

G-sec yield remained elevated due to high supply of bonds and lower demand...



Source: Cogencis, RBI

... However, G-sec term spreads were mixed as shorter end moved up faster during the month



Source: Cogencis

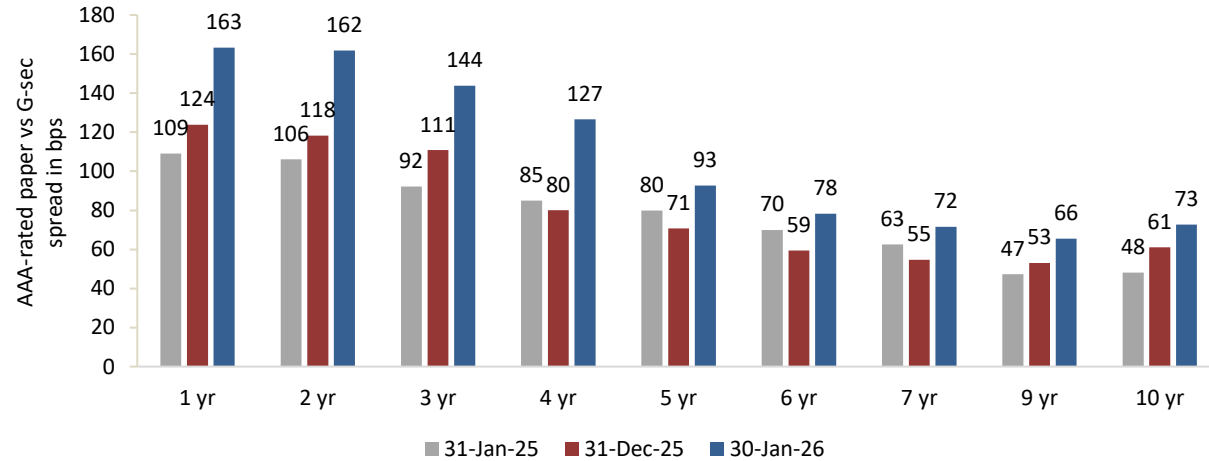
Indian G-secs are likely to be included in Bloomberg's Global Aggregate Bond Index

Estimated total assets	~USD 2.5-3 trillion
India's Proposed weight	0.8-1%
Approximate inflow if inclusion happens	~USD 25 bn

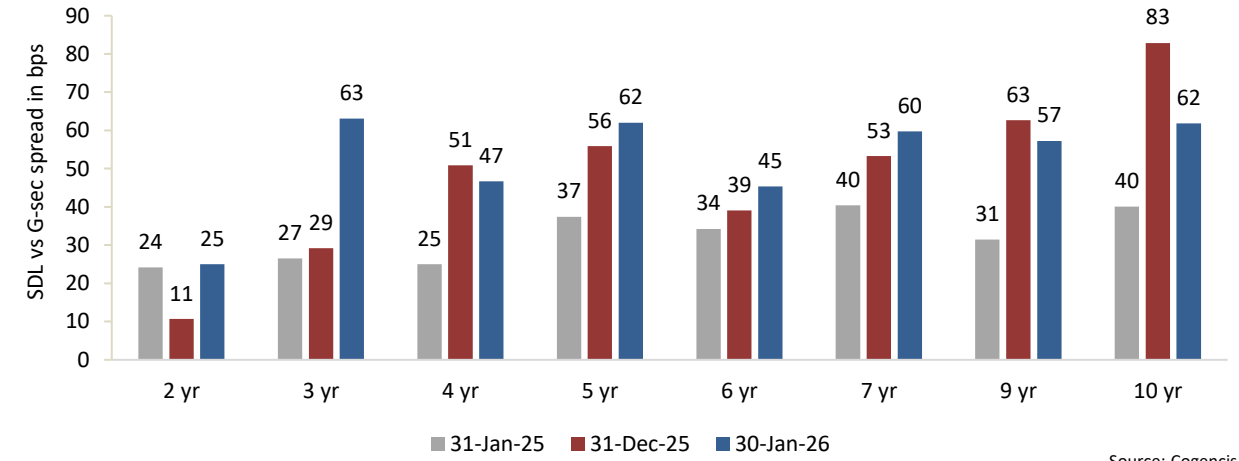
Source: Media Reports

Demand supply mismatch continues to weigh down on Corporate bonds and SDLs, keeping spreads elevated over G-secs and providing lucrative accrual opportunity

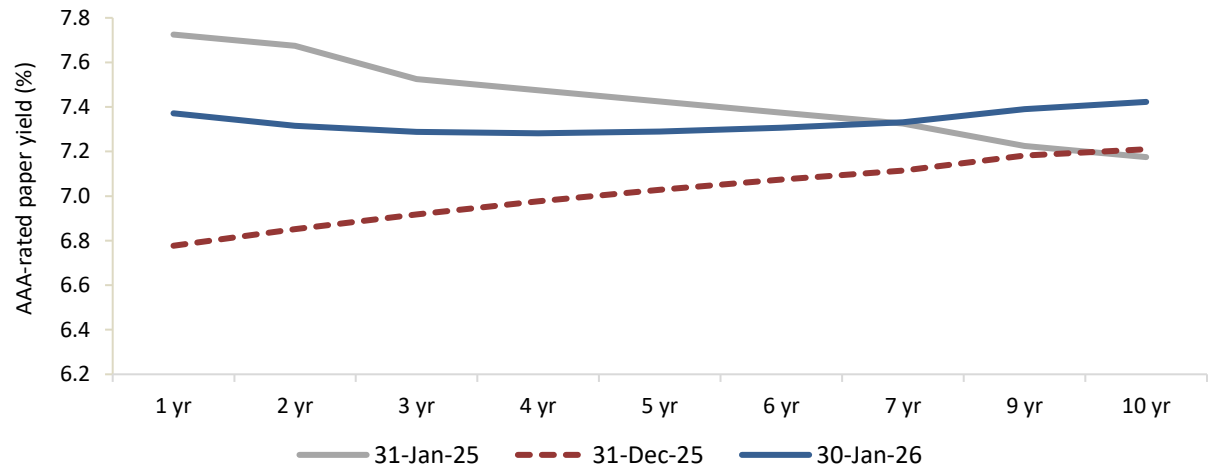
Elevated Corporate bond spreads continue to provide lucrative accruals



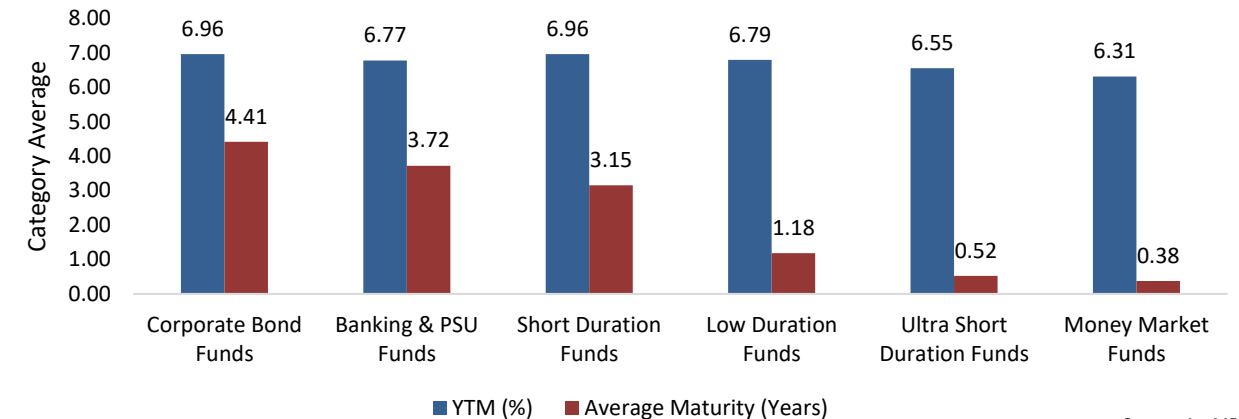
Heavy supply kept SDL Spreads elevated at the medium to longer end



The shorter end saw pressure on yields recently, inverting the yield curve...



... creating opportunities at the shorter end, where accrual funds with lucrative YTM's can be used to navigate through the interim volatility



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