

HDFC Bank – Research Presentation

March 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	
	Mar-26	Feb-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	
	Mar-26	Feb-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 – March 2026

- Global: Trends remain stable despite rising geopolitical risks
- US: Economy remains stable despite shutdown effect. US Supreme Court strikes down Trump's tariffs
- Europe: Macro conditions remain stable, government spending to support growth
- China: Growth expected to decelerate due to weak domestic demand, despite strong exports
- Precious metals rebounded on safe haven demand, Central Bank gold reserves continue to scale peaks
- Emerging Markets: Sustained portfolio flows to Emerging Markets supports the Equity Markets
- A trade deal agreement with the US eased concerns, bringing back FPI flows into Indian equities while DII flows moderated
- Sectoral performance and FPI flows in February 2026
- Q3 FY26 GDP growth at 7.8% YoY keeps the momentum going... though Nominal GDP growth at 8.9% YoY remains a cause for concern
- India Macros: continue to remain robust
- Urban Economy: Consumption steadying
- Rural Economy: Rural economy remains robust...improved Rabi sowing to be supportive
- Q3 FY26 Results : have been steady with positive surprises on topline growth
- India : Improved earnings expectations drive valuation comfort...markets still not cheap
- Retail investment in Mutual Funds continues to support the market and FPI flows have also picked up as earnings improvement expected
- Market Roundup – February 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

■ Fixed Income Outlook and Strategy – February 2026

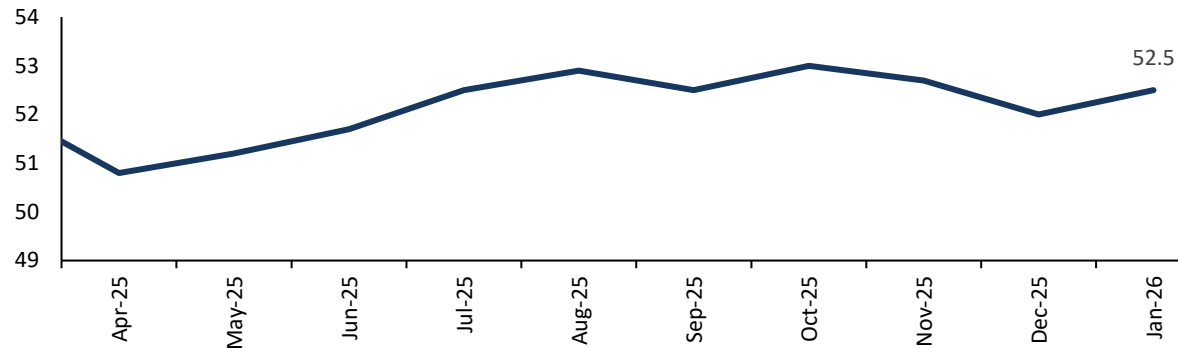
- US: Amidst renewed uncertainties around tariffs post the Supreme Court verdict, lower than expected inflation weighed down on Treasury yields
- EU: With inflation declining, options have opened up for the ECB to cut policy rates if the trend persists
- Market participants continue to expect the Fed to cut rates twice in CY26 despite better job data, with no rate cuts expected in March... The ECB remains non-committal to any particular rate path amidst heightened uncertainties
- Central Banks across major economies seem to have reached the end of their respective rate easing cycle - ex of US
- Global Commodities – Renewed tariff tensions and heightened geopolitical tensions have pushed commodity prices higher
- RBI's sustained liquidity support coupled with Government spending led to system liquidity remaining in comfortably surplus mode
- Despite higher precious metal imports weighing down on CAD, India's external sector continued showing resilience amidst the US trade policy uncertainty on the back of a record forex buffer and strong services exports
- The first print under the new inflation series saw headline inflation moving back above the lower range of RBI's medium-term band, but comfortably below the 4% target... RBI is likely to release inflation estimates based on the new series soon
- G-sec yields were volatile within a range during the month as interim trade deal relief and bond switch auctions were offset by US trade policy uncertainty and lack of liquidity measures announced during the MPC
- High quarter end demand weighed down on Corporate bonds and SDLs, keeping spreads elevated over G-secs and providing lucrative accrual opportunity
- Disclaimer

Equity MF Outlook and Strategy – March 2026

- The global growth has seen signs of stabilisation, with global export volumes improving, global PMIs remaining stable and IMF global growth estimates for CY26 and CY27 being raised marginally to 3.3% YoY and 3.2% YoY, respectively in the January 2026 outlook. Geopolitical uncertainties persist, and remains a key risk.
- US has seen growth conditions remaining robust, despite shutdown related impact on Q4 CY25 GDP growth, 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 the US Supreme Court striking down the tariffs that were implemented using the emergency powers by the US President; and the Trump Administration replacing it with a 10% uniform tariffs post the judgement, it is to be seen how would it impact the US trade balance. Though with higher product prices for key consumer products seem to be taking some toll on the consumer sentiments. With the announcement of the new Fed Governor nominee- Kevin Warsh, the markets still expect more policy rate cuts in 2026, with tighter liquidity conditions. Key risk- High fiscal deficit.
- Eurozone inflation has remained anchored allowing more room to ECB for further policy rate cuts, while the growth conditions seem to be improving driven by fiscal spending by various governments to shore up their defence infrastructure.
- Chinese growth remains steady with GDP growth tracking close to 5% YoY for CY25. Growth is driven by sustain improvement in export performance despite the high US tariffs. Weak domestic demand in China is a sticky issue and their Government seems to be taking steps to improve that. IMF has estimated marginal deceleration in Chinese growth for CY26.
- Emerging market (EM) equities have done well as EM growth outpaces Developed Markets (DMs), 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. Stocks in EMs like Korea and Taiwan are being played by the investors as a proxy to the AI boom, as they supply critical components for AI infrastructure.
- India's Q3 FY26 real GDP rose by 7.8% YoY – marginally higher than consensus- driven by strong manufacturing/services and favourable deflators. This new GDP series is now on the base year of 2022-23. For FY26, the GDP is now expected to grow at 7.6% YoY vs earlier expectations of 7.4% YoY. Weak nominal growth, that suggests general absence of pricing power, is the only remaining issue. With lower base and steady liquidity supply, nominal GDP growth could improve in FY27.**
- At the macro level, the PMI data and the credit growth data remain robust. 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. Interestingly, the money supply growth in India has also risen to recent highs, suggesting improving liquidity conditions.
- Urban demand is showing signs of pickup.** Passenger vehicle sales growth remains steady, services exports too have seen strong pickup, despite concerns around AI driven job losses and cutbacks Future implementation of the 8th Pay Commission, continued benefits of lower GST rates and higher disposable income due to controlled inflation could drive urban consumption over the medium-to-long term.
- Rural economy** remains a strong pillar of growth for the economy. With improving affordability due to lower inflation and GST cuts, this segment is likely to keep driving consumption growth. With strong Rabi sowing, the rural economy is likely to deliver robust growth. Declining demand in MGNREGA also suggests improved job creation in the rural sector. Sales of 2-wheelers and tractors too have remained robust. Expectation of weak monsoons in FY27 could be a near-term risk to rural economy.
- The Q3 FY26 earnings season has been reasonably stable with marginal upgrades seen across many companies and indices. Midcap and small cap earnings too have been steady and in line with broad expectations. Q3 results gave the first hint of near double-digit growth in topline for many sectors at aggregate, which should be viewed positively.**
- In terms of sectors, IT Services seem to be the area of concern, as the market seems to pricing in significant earnings deceleration in the medium-term due to impact of AI on the companies' margins.**
- 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.
- Post 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 India and expected improvement in earnings performance. While the US-India trade deal was viewed as a positive by market participants, the US Supreme Court ruling to strike down these tariffs seems to have brought in some near-term uncertainty. Nevertheless, with Trump now talking about 15% baseline tariffs for all countries, for the next 150 days, the playing field becomes even and the negative impact of such tariffs could be limited to few sectors. 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 domestic consumption. The implementation of the 8th pay commission could also act as a demand driver for the economy in the medium-term. Market participants also expect continued strong liquidity infusion by the RBI to keep growth buoyant. Interestingly, Mutual Funds' cash, as a percentage of their total AUM, has dipped to recent lows, suggesting that Indian Mutual Funds feel that valuations are right to deploy higher cash.**
- The US-Iran conflict has emerged as the near term risk to markets which can drive oil prices higher and be near term sentiment-negative event. If the conflict is contained to existing players, investors could use the market volatility due to this event as an investing opportunity.**
- 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.
- Investment deployment strategy could be 60% lumpsum and rest 40% to be staggered over the next 3-4 months. All allocations should be done in line with the risk profile and product suitability of the investor. Mutual Fund investors can look to focus on categories like Flexicap, Multicap, Large and Midcap, Value and Hybrid funds while using STPs as an instrument to invest in Midcap and Smallcap funds. Aggressive investors may also look at Business Cycle Funds for allocation. All allocations should be done in line with the risk profile and product suitability of the investor.

Global: Trends remain stable despite rising geopolitical risks

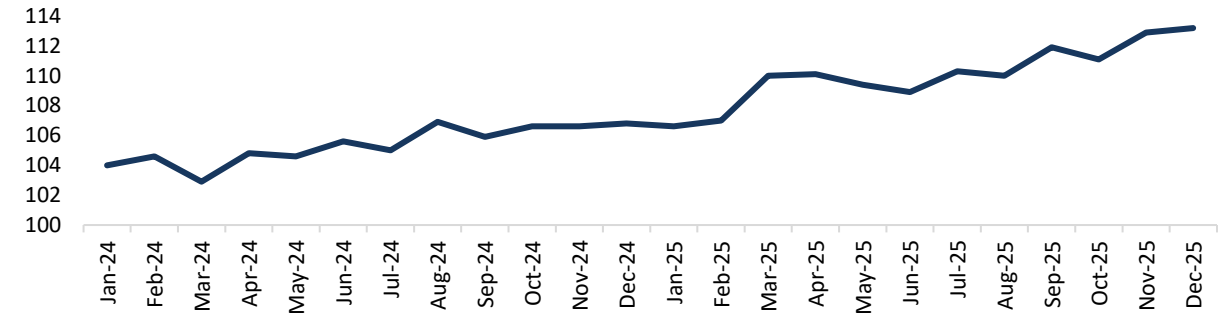
JPMorgan Global Composite PMI



Source: Bloomberg

Global Merchandise Export Volume Index

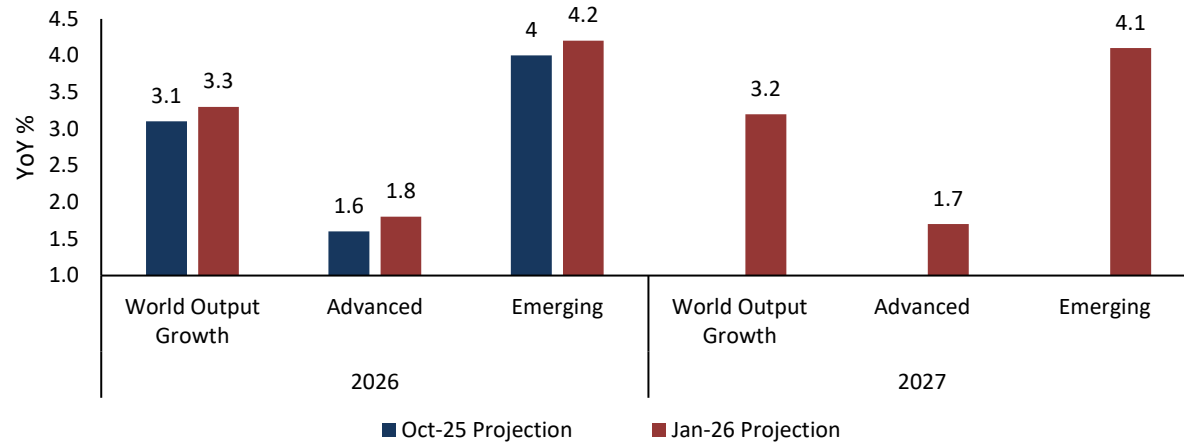
Despite tariffs, cross-border goods trade continues to flourish



Source: Bloomberg

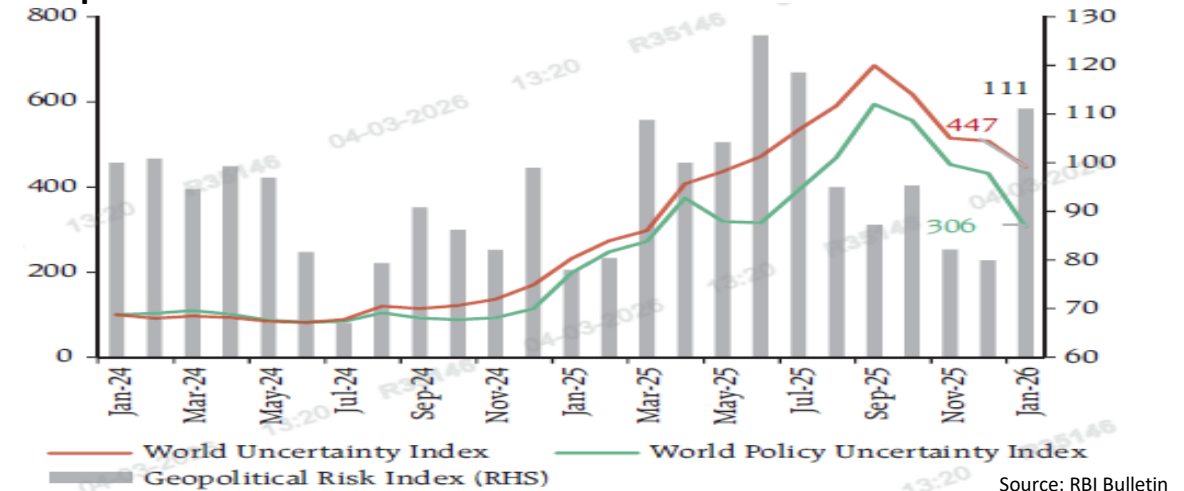
World Economic Outlook: Growth Projections

IMF upwardly revised its Global growth forecast for CY26



Source: IMF

Global uncertainty declined while Global volatility has gone up...due to Middle-East conflict

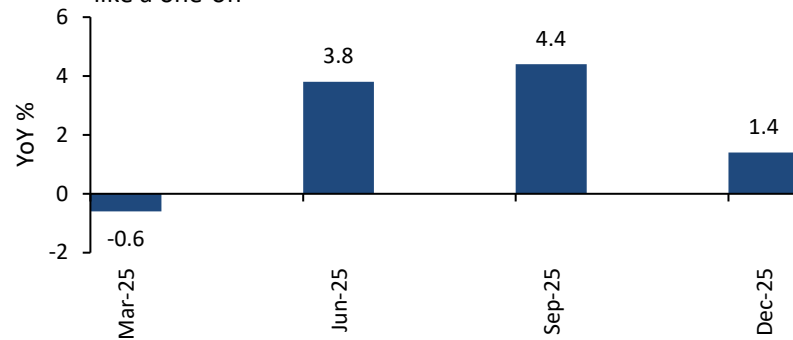


Source: RBI Bulletin

US: Economy remains stable despite shutdown effect. US Supreme Court strikes down Trump's tariffs

US Quarterly GDP Growth

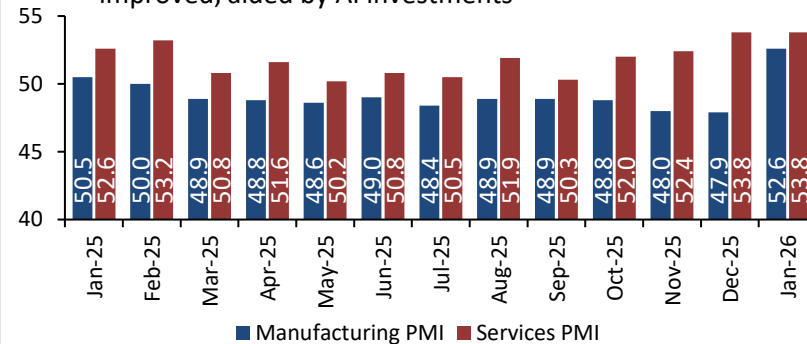
Q4 CY25 Growth got impacted due to shutdown...seems like a one-off



Source: Bloomberg

US Manufacturing & Services PMI

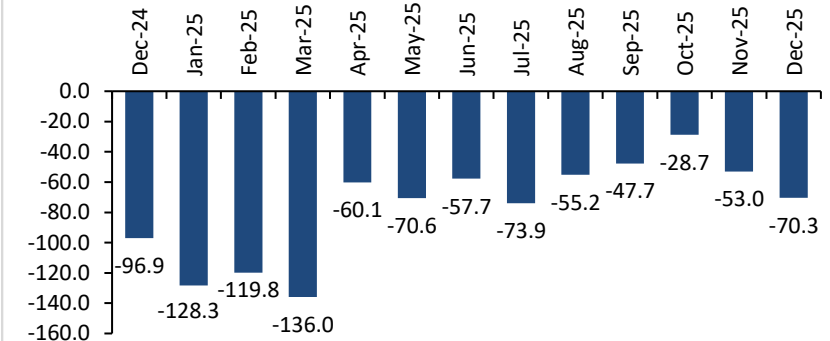
Services PMI remained strong and Manufacturing PMI improved, aided by AI investments



Source: Bloomberg

US Trade Balance (USD bn)

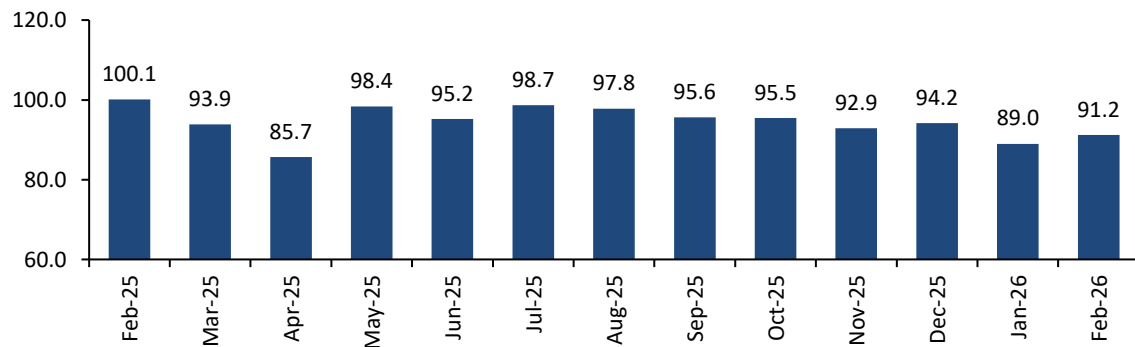
Trade balance improved on a YoY basis



Source: Bloomberg

US Consumer Confidence Index

Persistent weakness remains a cause of concern



Source: Bloomberg

Dot-com vs. AI: Contribution of IT- or AI-Related Investment Categories to Real GDP Growth in 2000 and 2025

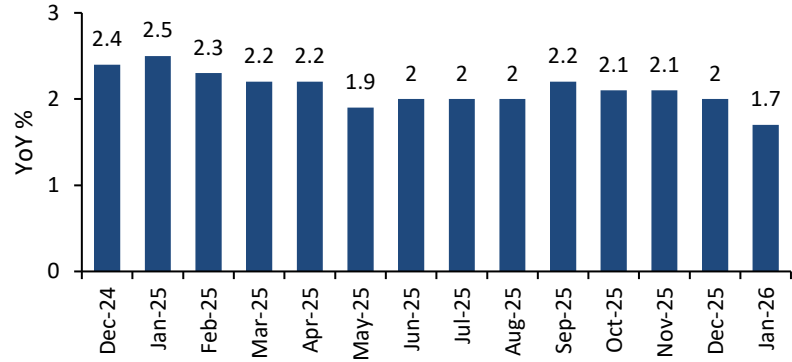
	Real GDP Growth	Contribution (Percentage Points)			
		Information Processing Equipment	Software	R&D	Data Centers
2000	2.94%	0.58	0.11	0.12	-
First 9 Months of 2025	2.51%	0.42	0.35	0.13	0.07

Source: Federal Reserve Bank of St. Louis

Europe: Macro conditions remain stable, government spending to support growth

Eurozone CPI

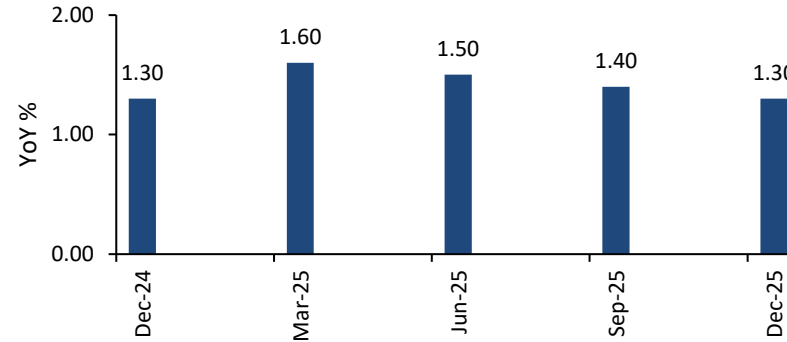
Inflation comes within the 2% target and remains anchored...



Source: Bloomberg

Eurozone GDP

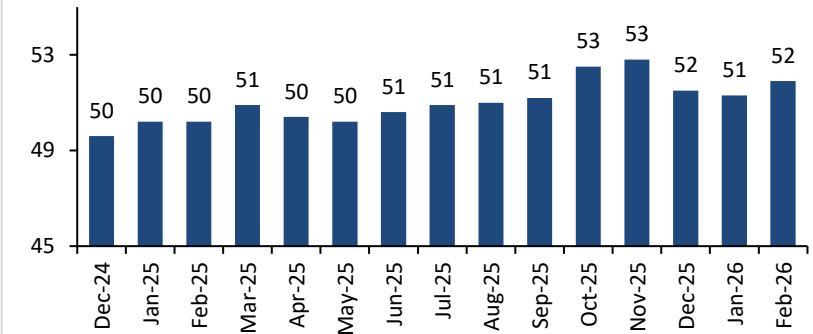
...while growth remains stable, supported by capex spends



Source: Bloomberg

S&P Global Eurozone Composite PMI

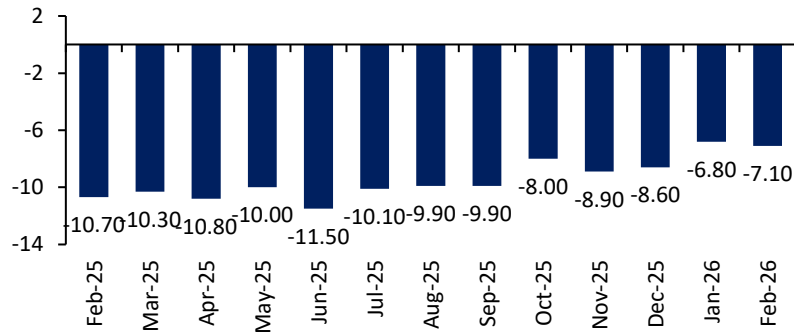
showing signs of improvement



Source: Bloomberg

Eurozone Industrial Confidence Indicator

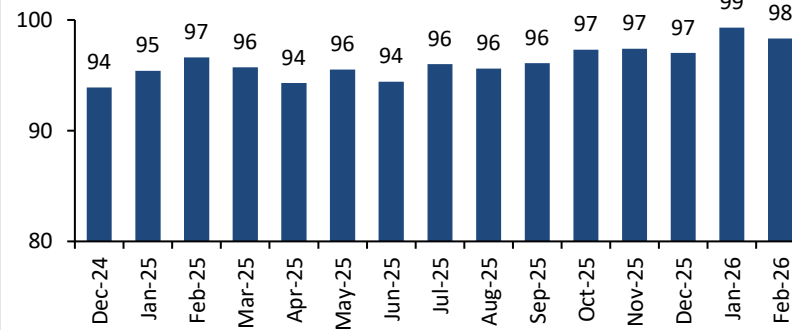
Weakness persists, but improving



Source: Bloomberg

Eurozone Economic Sentiment Indicator

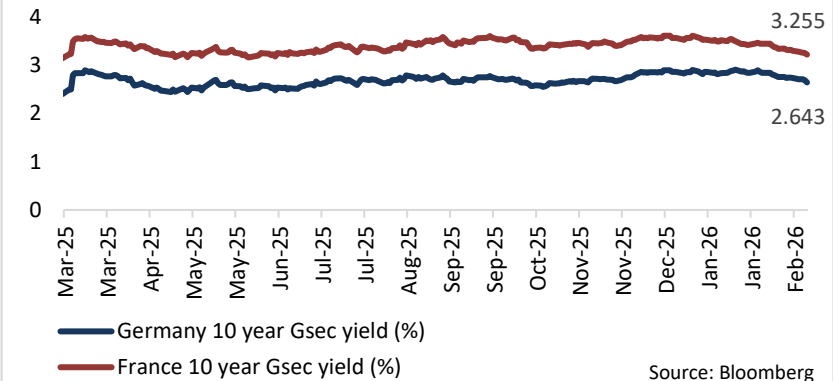
improving at the margin, driven by high government spending



Source: Bloomberg

Germany and France Bond yields

Bond yields are normalising

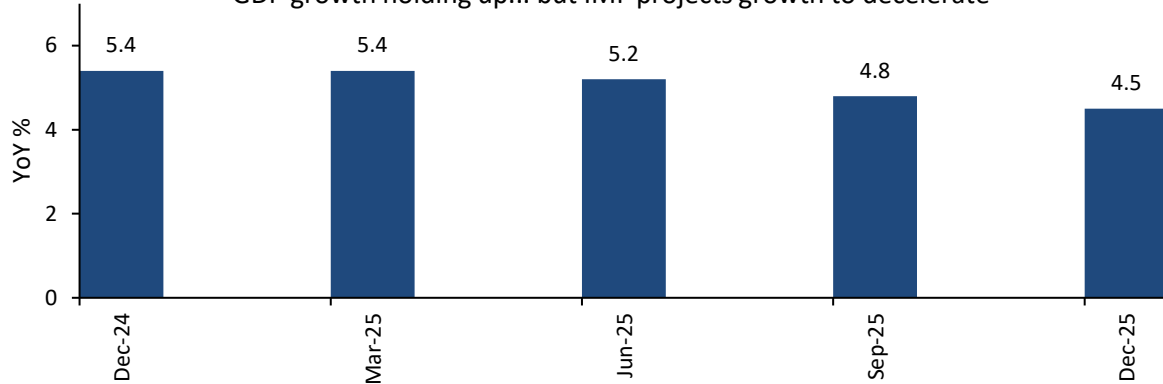


Source: Bloomberg

China: Growth expected to decelerate due to weak domestic demand, despite strong exports

China Quarterly GDP growth

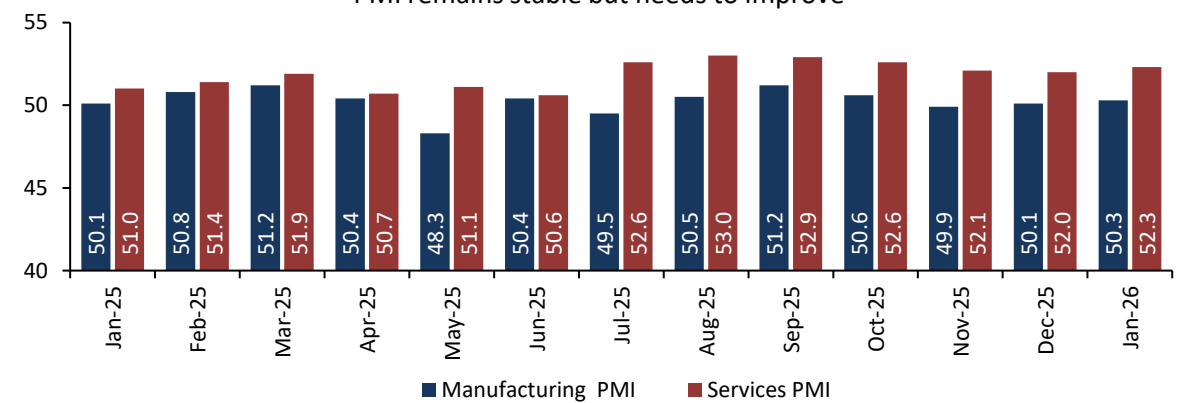
GDP growth holding up... but IMF projects growth to decelerate



Source: Bloomberg

China Manufacturing & Services PMI

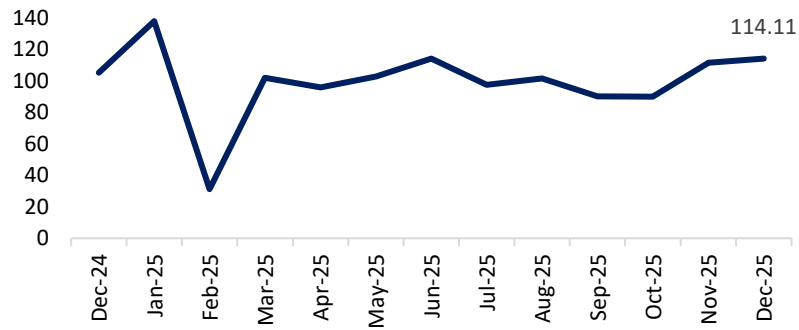
PMI remains stable but needs to improve



Source: Bloomberg

China Trade balance (USD Bn)

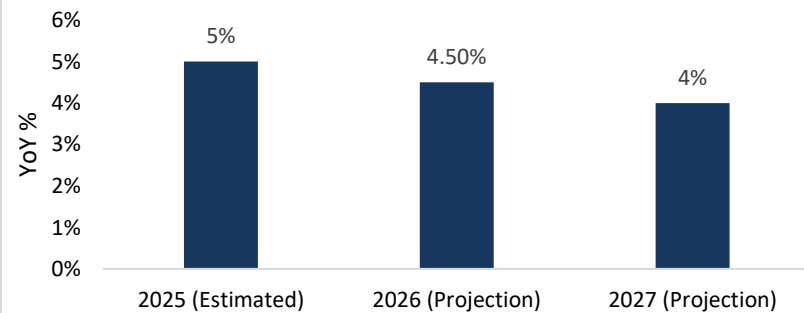
China continues to remain the World's factory, with annual trade surplus surpassing the USD 1 trillion mark



Source: Bloomberg

China- Economic Growth Projections

While China continues to target the 5% growth mark, IMF forecasts a deceleration in growth



Source: IMF

Chinese President Xi Jinping Pitches for Boosting Domestic Consumption

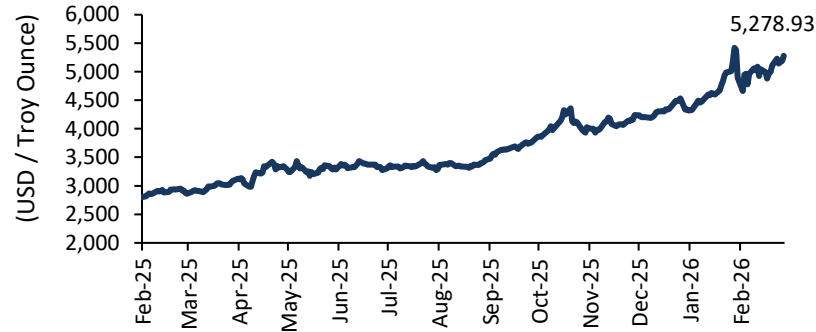
- **Pivot to Domestic Demand:** Xi has designated domestic consumption as the "main driver" of growth to reduce reliance on volatile export markets.
- **Structural Targets:** The upcoming 15th Five-Year Plan aims to raise household consumption to nearly 50% of GDP by 2030.
- **Service-Sector Expansion:**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

Source: Media Reports

Precious metals rebounded on safe haven demand, Central Bank gold reserves continue to scale peaks

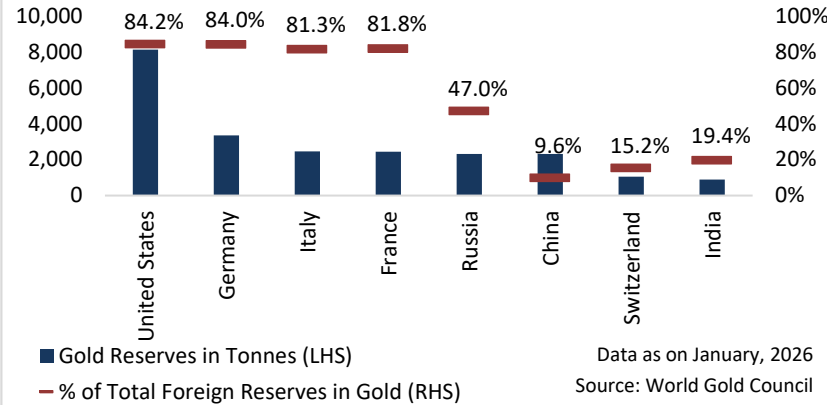
Gold Price Movement

Gold prices corrected from their top, some bounceback seen due to rising geopolitical uncertainties



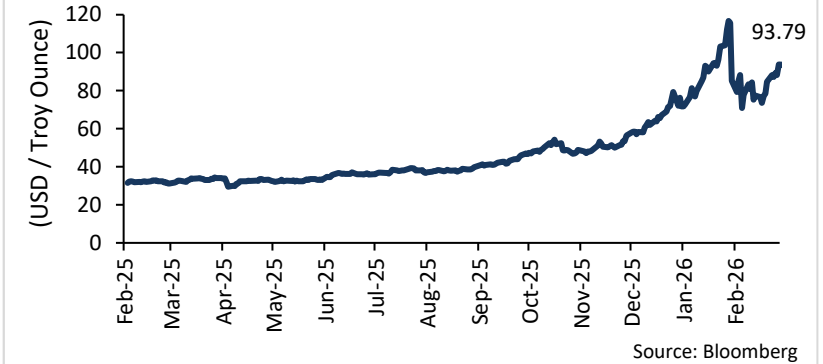
World Official Gold Holdings

Gold accounts for ~29% of Central Banks' Reserves



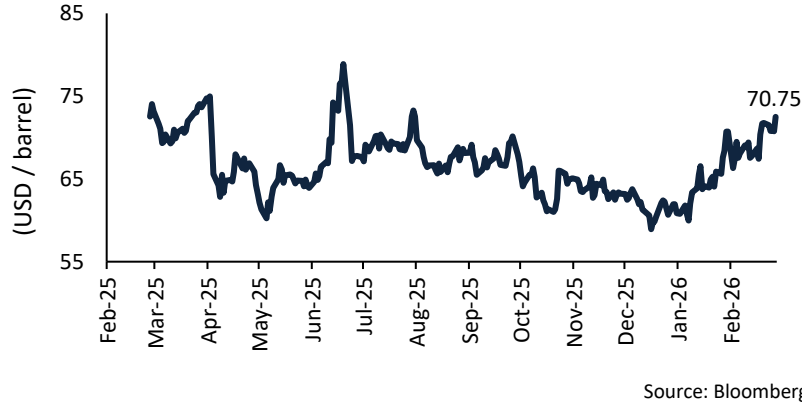
Silver Price Movement

Like gold, after a sharp drop, prices rebounded due to safe haven demand

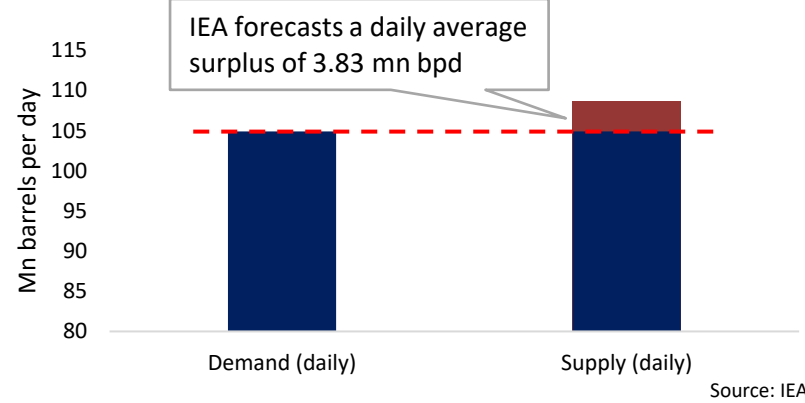


Brent Crude

Rising US-Iran tension led to an uptick in crude prices

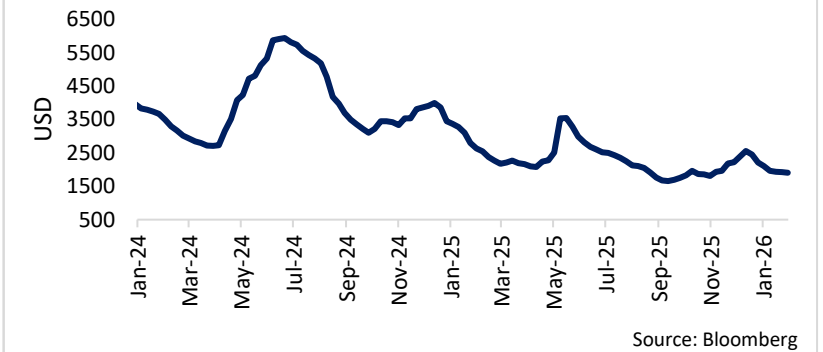


IEA Global oil demand & supply forecast for 2026



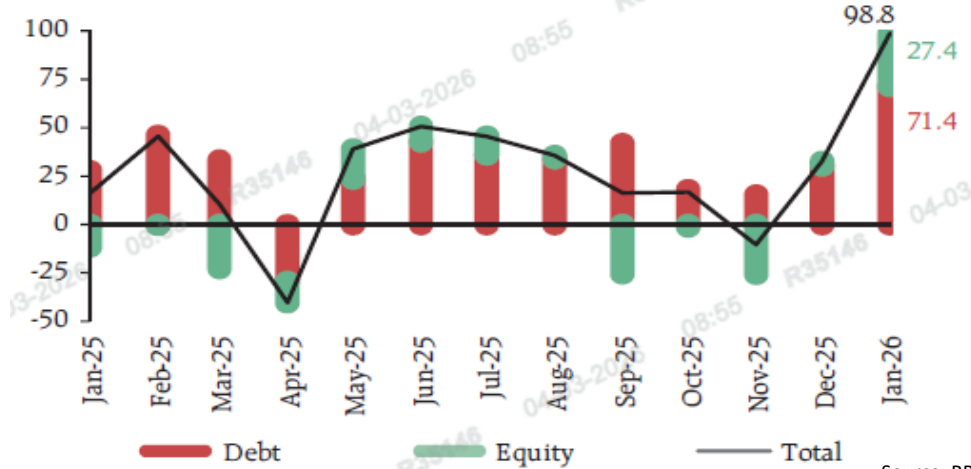
Drewry World Container Index per 40 Foot Box

Container freight prices have normalised



Emerging Markets: Sustained portfolio flows to Emerging Markets supports the Equity Markets

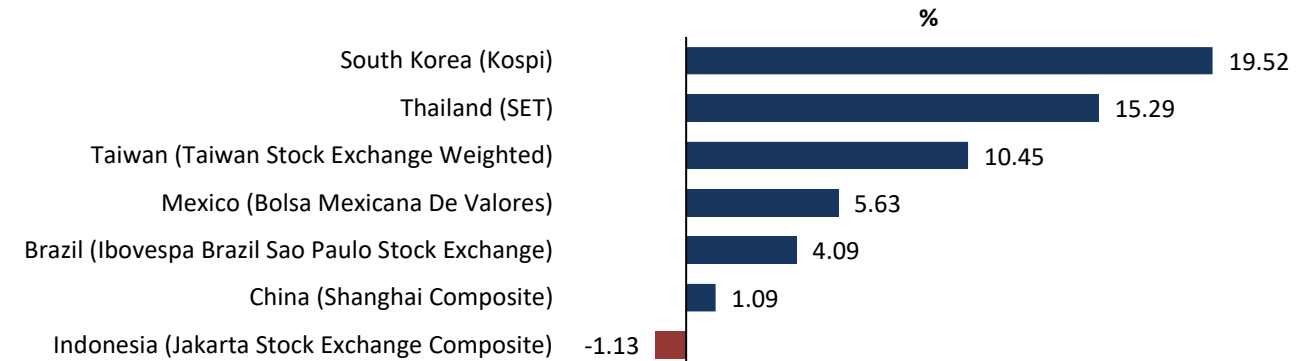
Portfolio flows to Emerging Markets



Source: RBI Bulletin

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

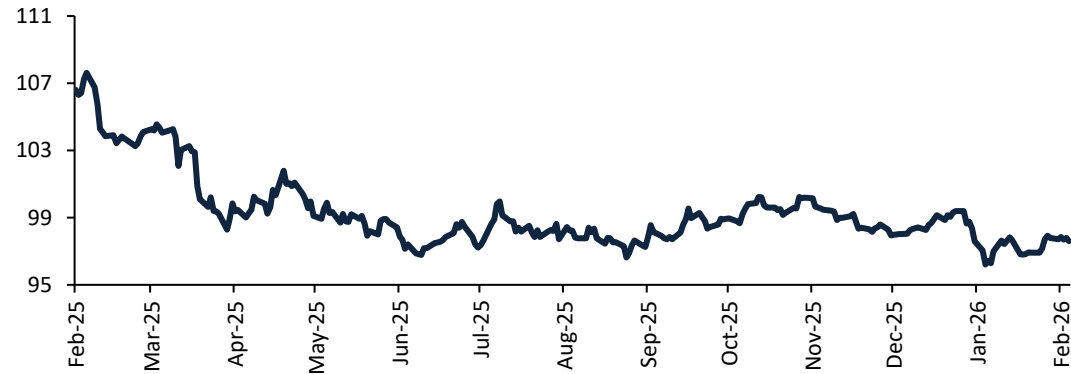
Higher AI-related flows drove more money to certain markets



Source: Bloomberg

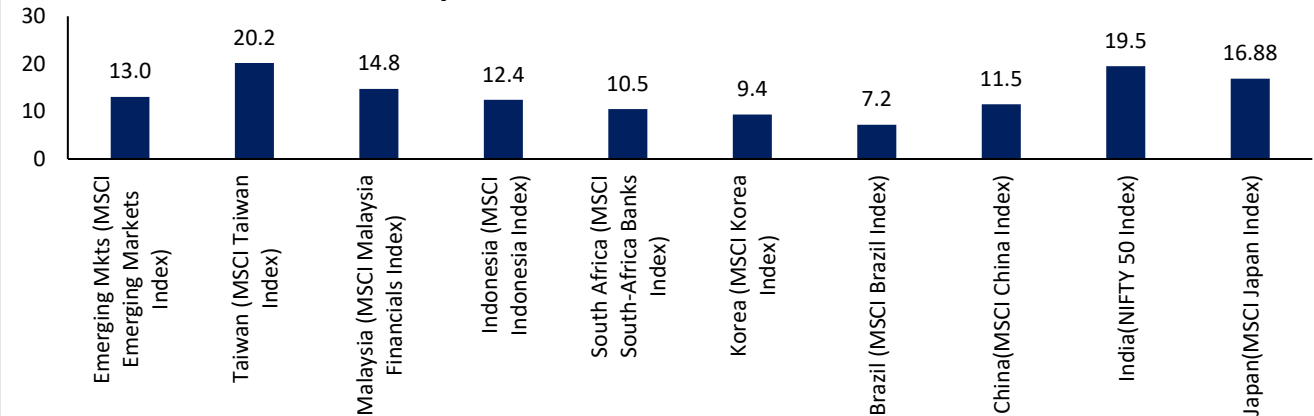
US Dollar Index

Declining Dollar Index continues to support flows to Emerging Markets



Source: Bloomberg

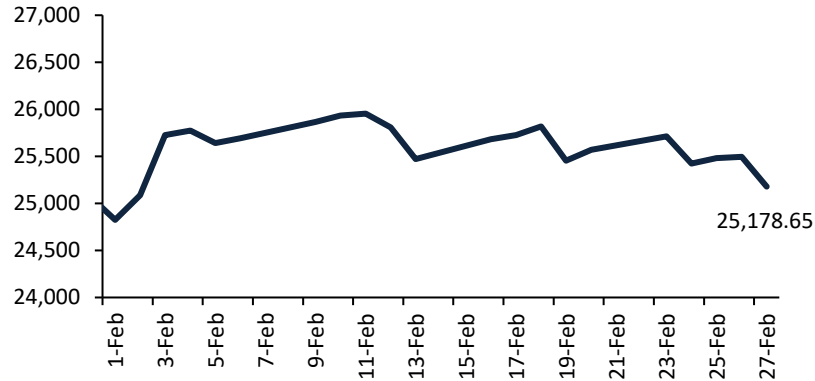
12M Expected Fwd P/E of Various Economies



Source: Bloomberg

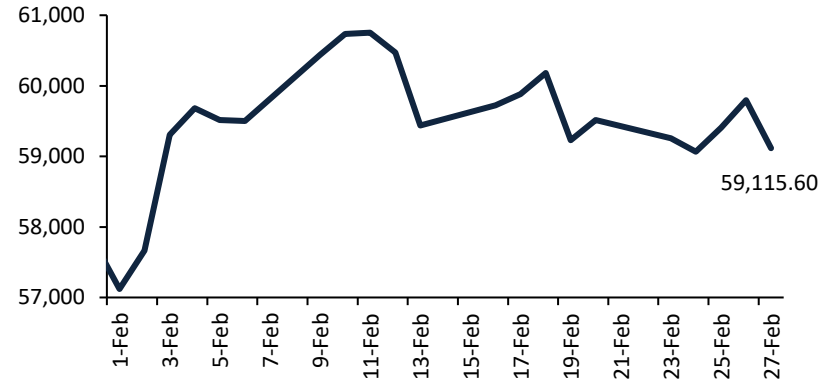
A trade deal agreement with the US eased concerns, bringing back FPI flows into Indian equities while DII flows moderated

NIFTY 50 index movement



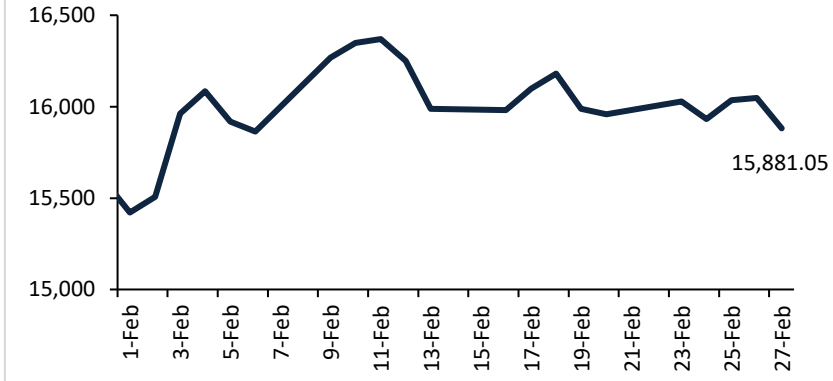
Source: Bloomberg

NIFTY Midcap 100 index movement



Source: Bloomberg

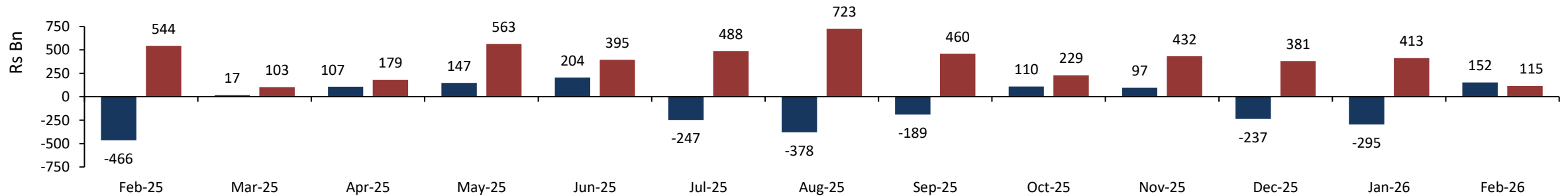
NIFTY Smallcap 250 index movement



Source: Bloomberg

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

FPI buying in the Indian Equity Markets touched an 8-month high in February '26



*For 2026, FPI and DII data is up to 27th February and 26th February, respectively.

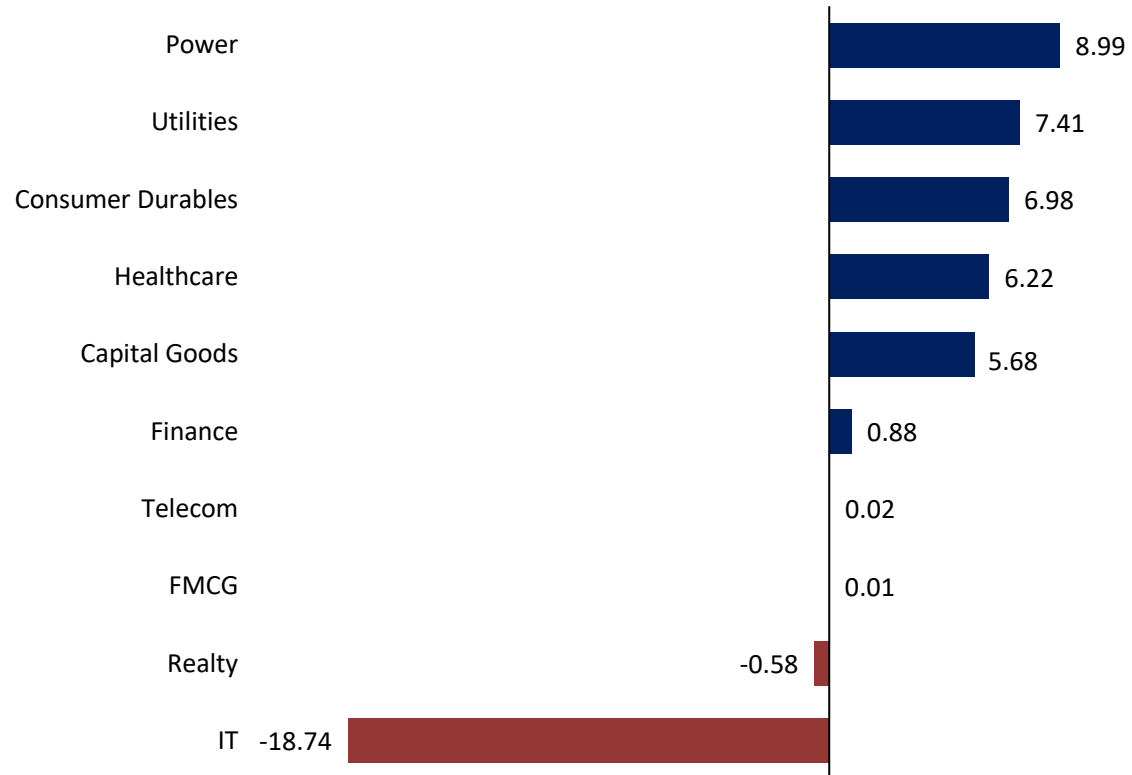
**Net Flows In Equities is the sum total of flows in Stock Exchange and Primary market & others

■ FPIs ■ DIIs

Source: SEBI, CDSL

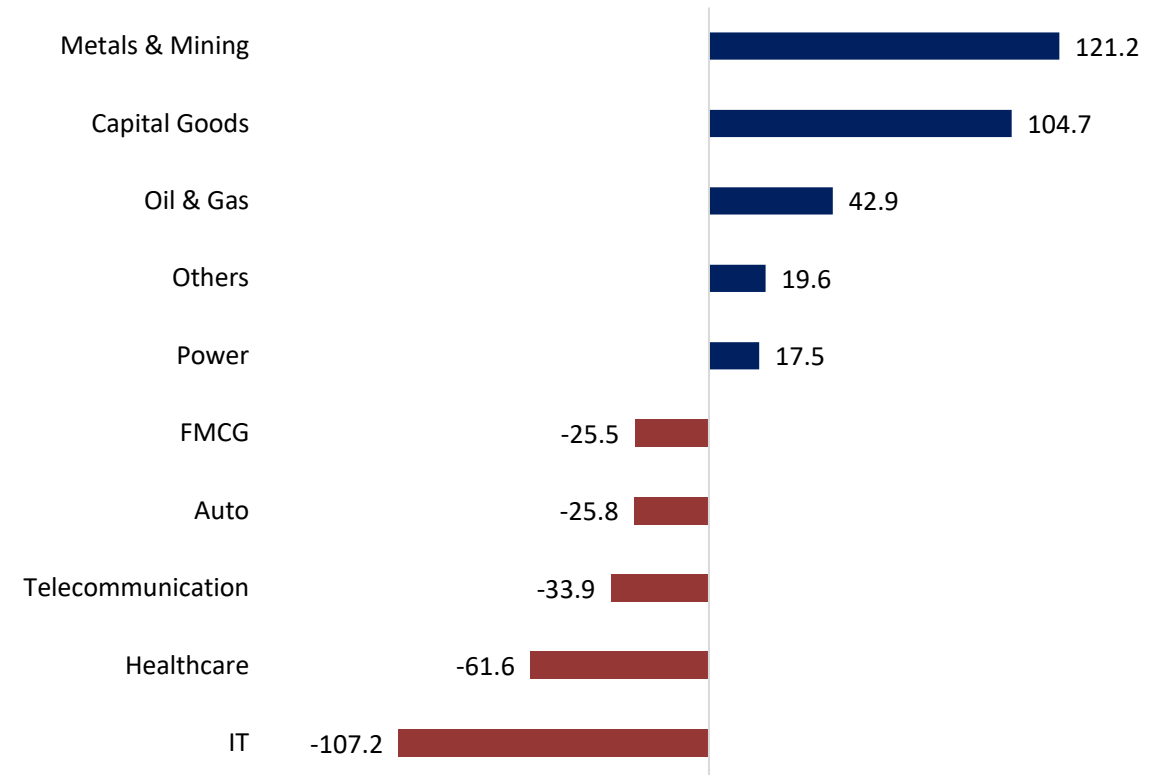
Sectoral performance and FPI flows in February 2026

BSE Sectors - Absolute Returns in February 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 Jan 16, 2026 till Feb 15, 2026

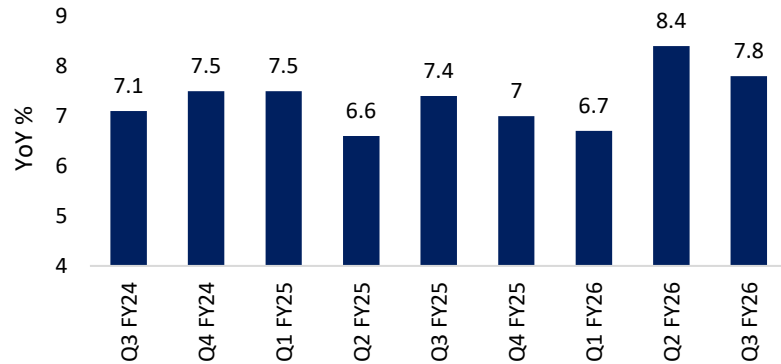


Source: NSDL

Q3 FY26 GDP growth at 7.8% YoY keeps the momentum going... though Nominal GDP growth at 8.9% YoY remains a cause for concern

India Quarterly Real GDP Growth

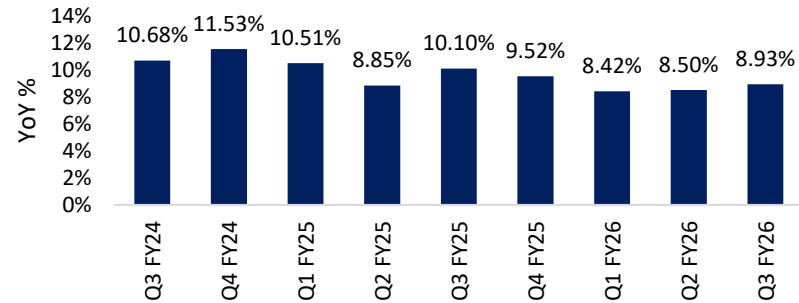
Growth continues to hold despite a change in base



Source: MoSPI, Bloomberg

India Quarterly Nominal GDP Growth

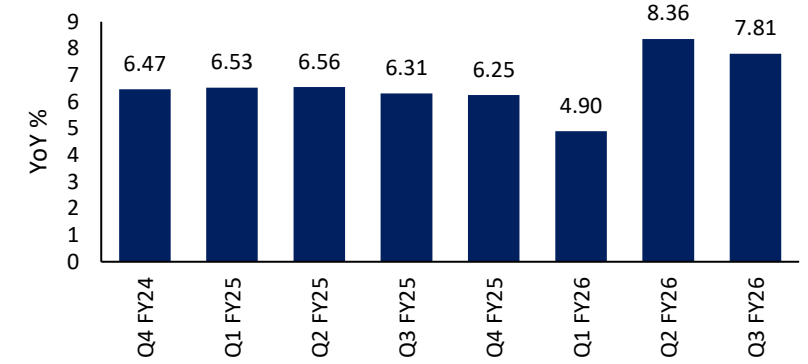
While a marginal improvement was seen, further improvement necessary



Source: MoSPI, Bloomberg

Gross Fixed Capital Formation

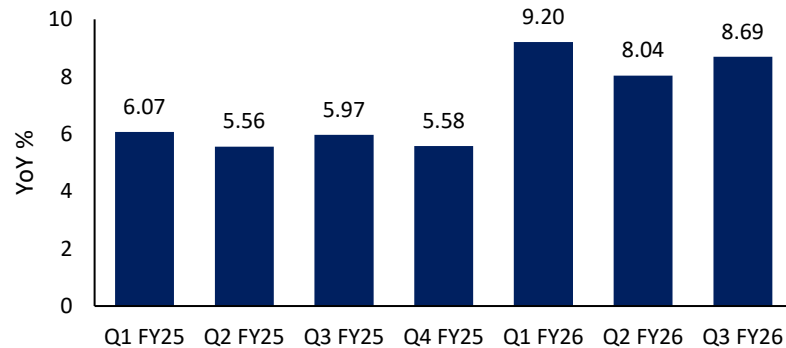
Growth continues to hold despite a change in base



Source: MoSPI, Bloomberg

Private Final Consumption Expenditure

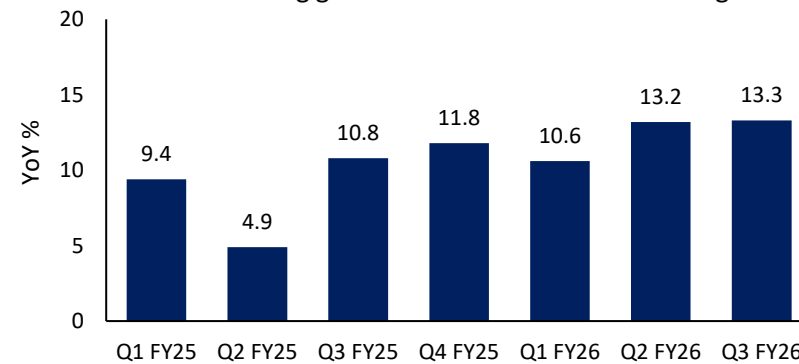
Improvement sustaining on the back of GST and Income Tax cuts



Source: MoSPI, Bloomberg

Manufacturing Growth

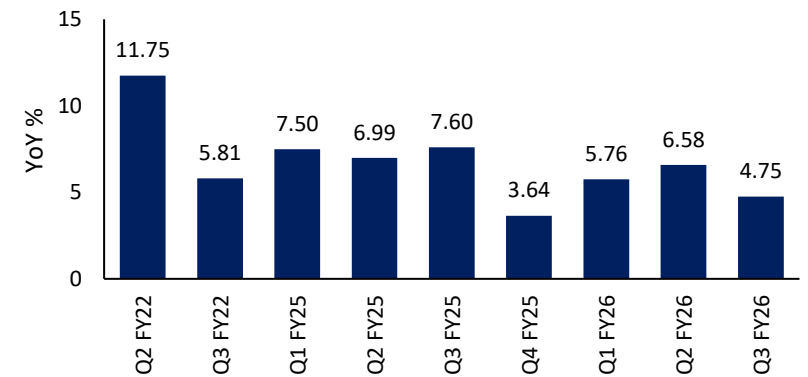
Manufacturing growth continues to remain strong



Source: MoSPI, Bloomberg

Govt Final Consumption Expenditure

Cooling off

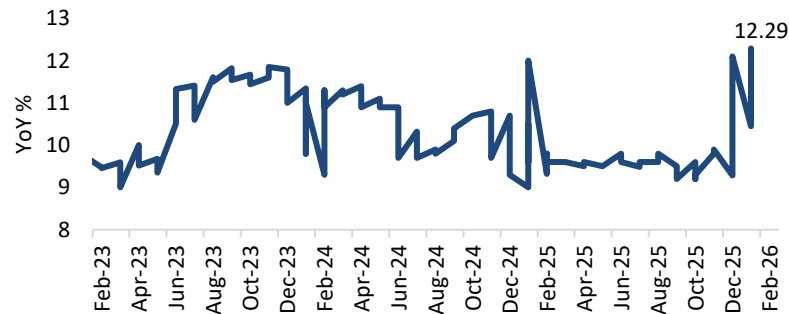


Source: MoSPI, Bloomberg

India Macros: continue to remain robust

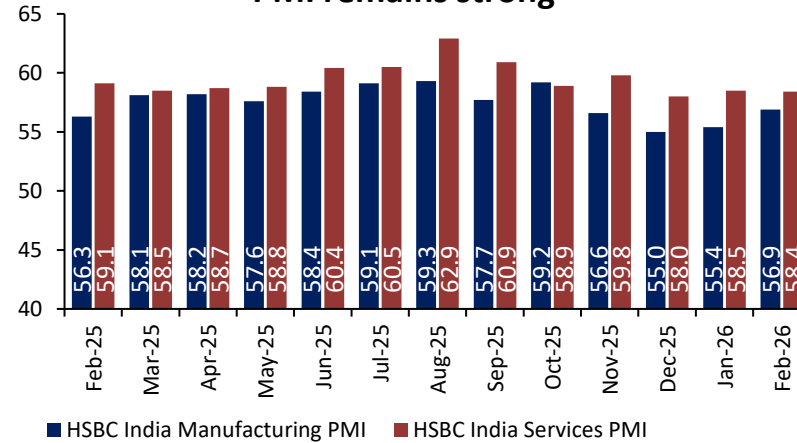
India Money Supply (M3)

System liquidity improving as Money supply inches to a 3-year high



Source: Bloomberg

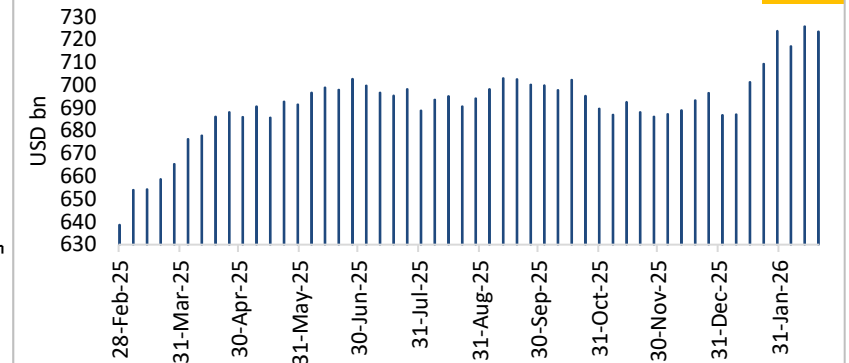
PMI remains strong



Source: Bloomberg

Forex Reserves

Reserves regain all time high amidst global risks



Source: Bloomberg

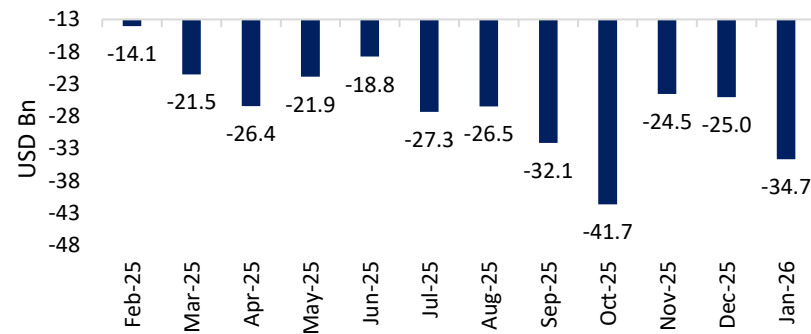
International Trade Deals

- India – New Zealand Trade Deal provides duty-free access for Indian exports while securing a USD 20 bn investment commitment into India over the next 15 years.
- India – EU FTA creates a free-market zone of 2 bn people (25% of global GDP), eliminating tariffs on over 90% of trade lines and providing Indian textiles and leather immediate duty-free parity with competitors like Vietnam.
- India – US Interim Trade Agreement was announced in Feb 2026 drastically slashing reciprocal tariffs from 50% to 18% anchored by a new “TRUST” framework. **However, after Supreme Court having struck down the tariffs, details of this deal become uncertain.**

Source: Media Reports

India Merchandise Trade Balance

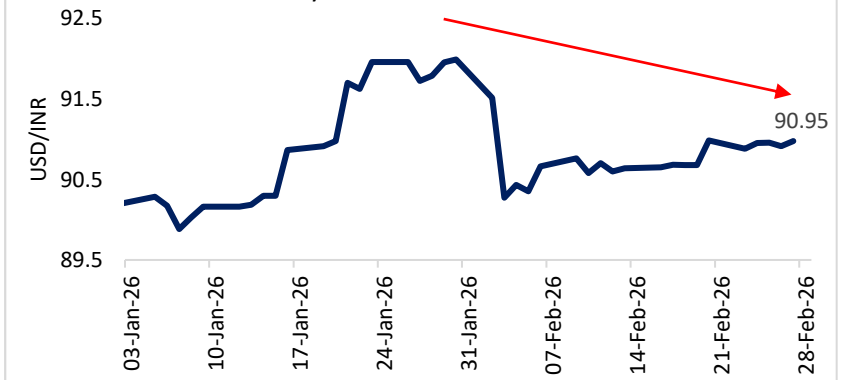
Trade deficit remains elevated mainly due to gold and silver imports



Source: Bloomberg

USD/INR

Domestic currency remained stable

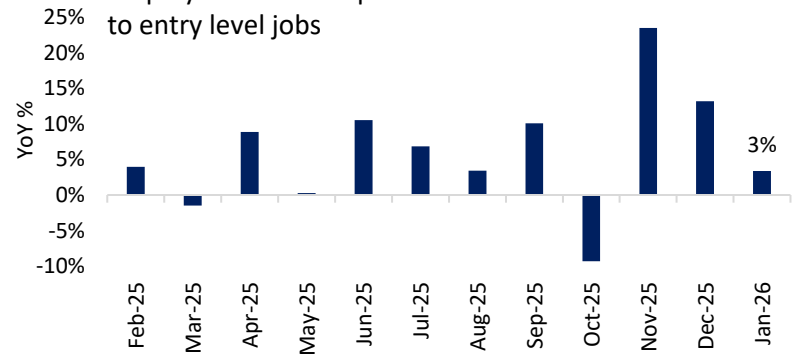


Source: Bloomberg

Urban Economy: Consumption steadying

Naukari JobSpeak Index

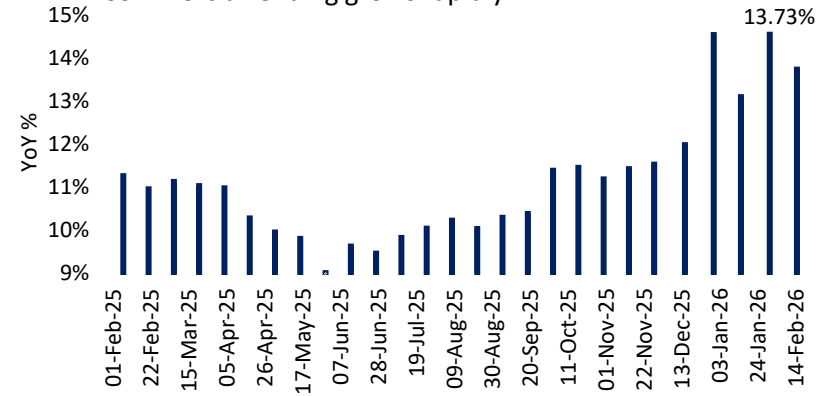
Recent concern around reduction in hiring white collar employees due to implementation of AI can remain a risk to entry level jobs



Source: RBI

Total Commercial Credit Growth

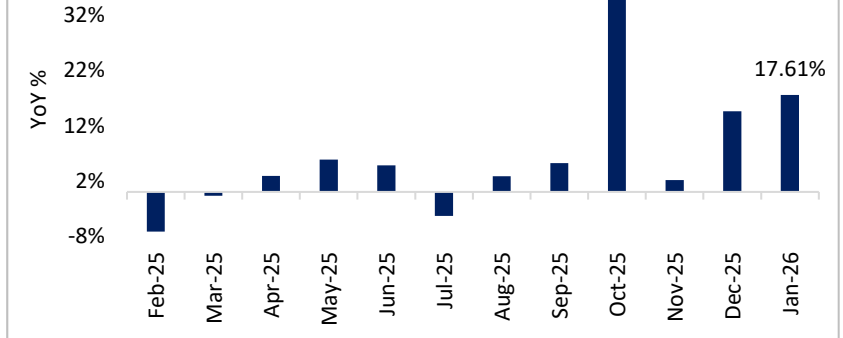
Commercial lending grows rapidly



Source: Bloomberg

India Total Vehicle Registrations

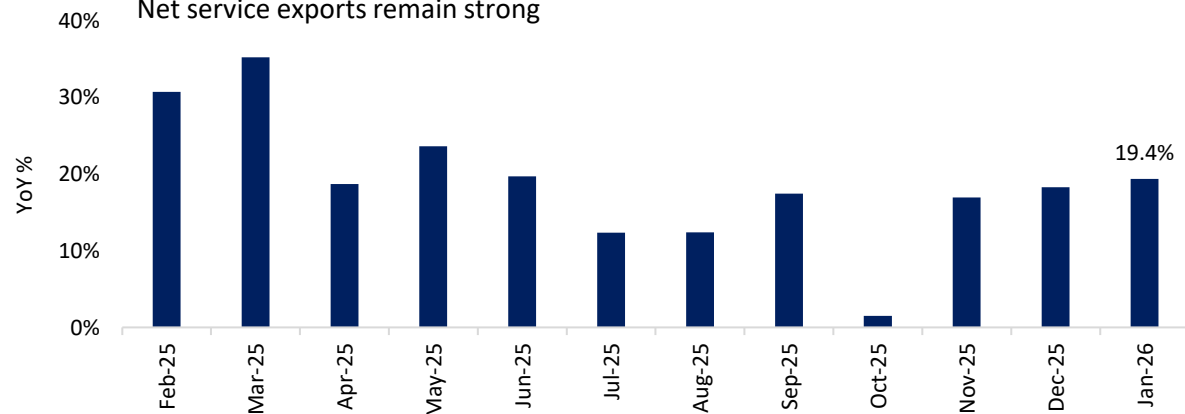
Vehicle sales continue to expand



Source: Bloomberg

India Net Service Exports

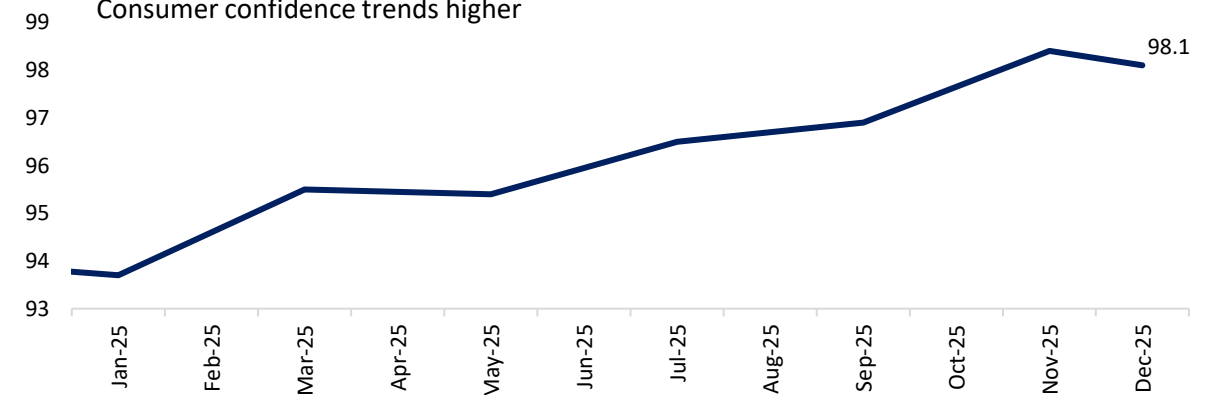
Net service exports remain strong



Source: Bloomberg

Consumer Confidence Index

Consumer confidence trends higher

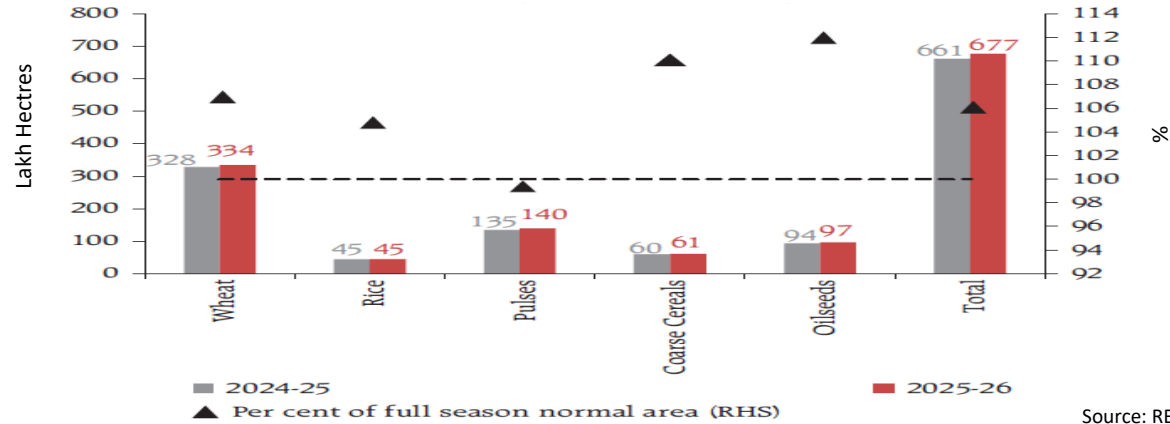


Source: Bloomberg

Rural Economy: Rural economy remains robust...improved Rabi sowing to be supportive

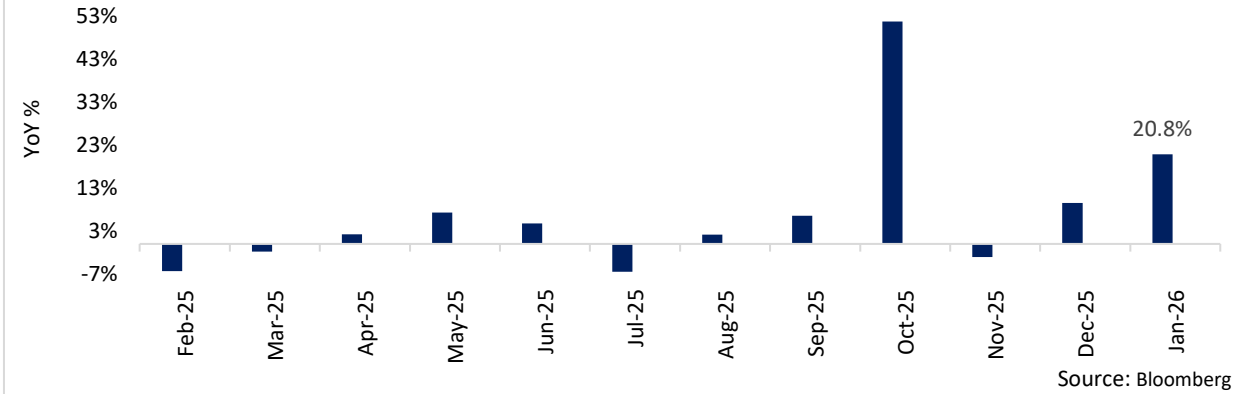
Rabi Sown Area

High sowing supported by conducive soil moisture and strong reservoir level



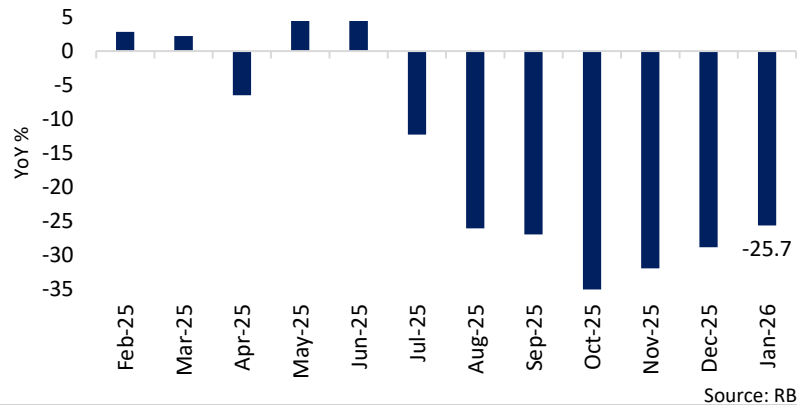
Two Wheeler Sales

Two wheeler sales pick up visible



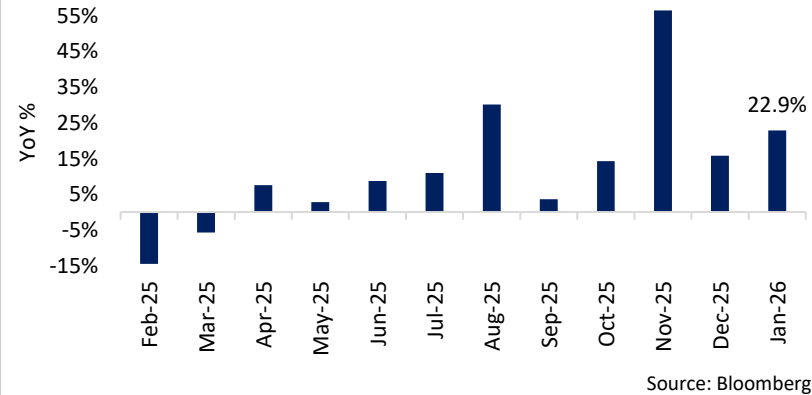
MGNREGA Work Demand

Work demand stays low throughout the winter season



India Tractor Sales

Rural demand proxy continues to remain high



ENSO Neutral Conditions

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

Source: IMD

Q3 FY26 Results : have been steady with positive surprises on topline 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	3.95	4.93	-0.17	-25.29	-34.10	-1.23	-26.37	-46.67	-6.97
Capital Goods	15.48	14.56	19.39	12.69	9.18	34.04	13.33	11.59	27.03
Chemicals	17.15	13.85	17.17	21.11	14.87	21.15	21.89	12.08	22.07
Construction	10.49	10.44	17.31	18.50	7.66	9.13	-4.29	13.96	11.31
Construction Materials	20.97	18.22	8.24	23.27	48.59	-18.40	-22.79	136.22	-3.51
Consumer Durables	27.11	14.37	12.78	36.81	37.31	-10.84	24.64	47.50	-12.88
Consumer Services	48.25	46.30	27.80	17.54	0.90	21.95	24.65	-2.27	24.19
Fast Moving Consumer Goods	9.06	2.53	7.84	8.29	3.09	0.76	-0.38	5.69	0.86
Financial Services	8.63	7.25	8.01	8.94	14.88	17.19	7.40	5.66	23.12
Healthcare	12.91	11.51	13.20	4.41	12.46	18.72	-4.11	13.49	21.86
Information Technology	7.89	5.67	5.06	7.69	7.14	8.26	-8.91	4.02	12.90
Metals & Mining	13.09	-0.56	-6.85	23.91	1.96	-10.95	97.45	5.67	-26.10
Oil Gas & Consumable Fuels	4.97	3.94	1.03	25.98	48.60	-6.69	27.20	39.34	-10.40
Power	2.07	2.50	4.99	3.20	2.79	13.35	-7.49	-2.98	19.78
Realty	19.26	18.28	26.05	4.84	17.15	20.99	21.84	6.26	57.11
Services	10.32	15.34	14.04	5.08	-21.52	-2.09	-27.68	-62.26	-4.59
Telecommunication	19.62	25.73	19.08	34.67	51.01	32.36	-47.30	108.28	460.93
Grand Total	8.58	6.34	4.26	12.42	14.62	3.52	5.07	10.05	12.55
Ex-Financials	8.57	6.01	3.01	13.09	14.57	1.27	3.58	13.36	6.66

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	5.68	12.17	20.22	53.99	41.24	47.84	223.63	106.23

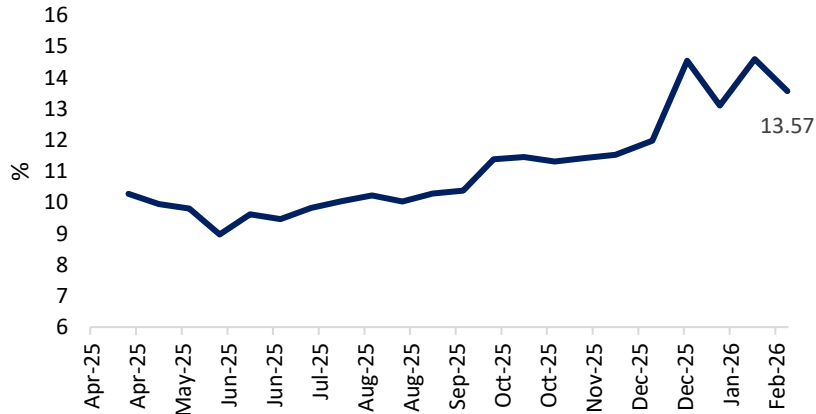
Data as on Jan 29, 2026 and pertains to 69 companies within the Nifty 150 midcap universe

Source: Capitaline, HDFC Bank Research

- Banks: NIMs expected to bottom out as rate cut cycle comes to an end
- IT: AI overhang on future business model remains a key monitorable
- Metals: Safeguard duties to support margins in the near-term
- Consumer Services: Earnings growth driven by improved Retail and Platform tech companies
- Auto: GST cut has helped in boosting the overall earnings

India : Improved earnings expectations drive valuation comfort...markets still not cheap

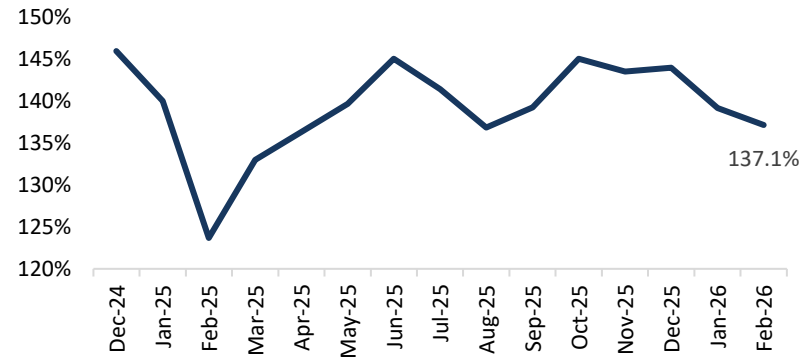
Improving credit growth suggests growth impulses in the economy



Source: Bloomberg

India Market Cap to GDP

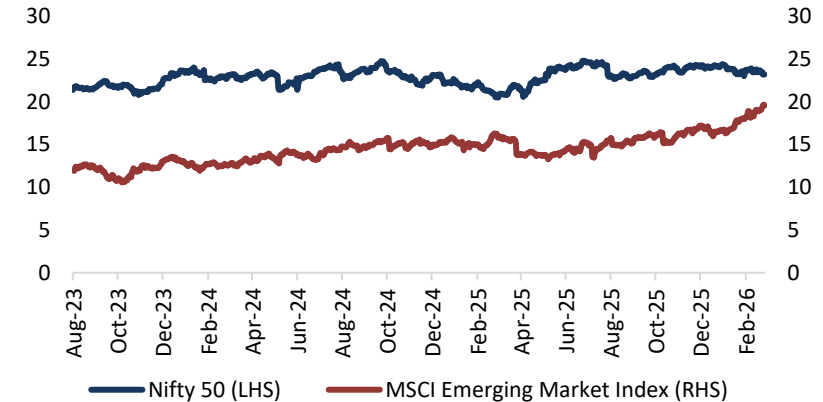
The Market Cap to GDP ratio has contracted after the correction in the last few months as the Nominal GDP numbers held up



Source: Bloomberg

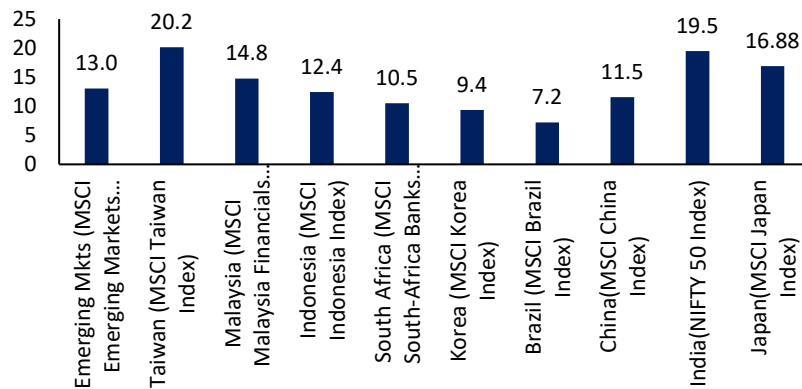
MSCI Emerging Market Index vs. NIFTY 50 P/E

Indian market premiums vs EMs have come off meaningfully



Source: Bloomberg

12M Expected Fwd P/E 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, Fund Managers see select opportunities.

Index	P/E FY27 (Est.)	P/E FY28 (Est.)	EPS FY27 (Est.)	EPS FY28 (Est.)	PEG FY27 (Est.)
Nifty 50	19.48	16.97	1261	1456	1.38
Nifty Midcap 100	27.15	22.35	2129	2587	1.13
Nifty Smallcap 100	23.57	18.93	702	874	2.44

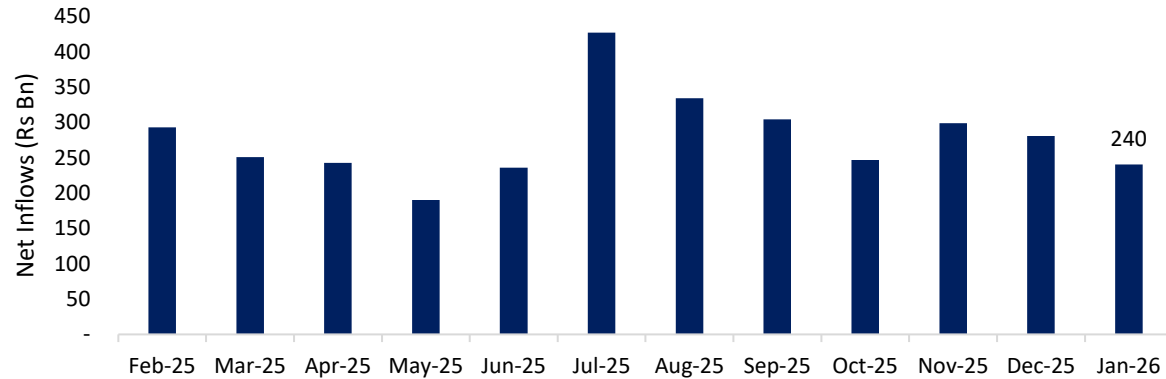
Note: Data taken as on 27th February 2026

Source: Bloomberg

Retail investment in Mutual Funds continues to support the market and FPI flows have also picked up as earnings improvement expected

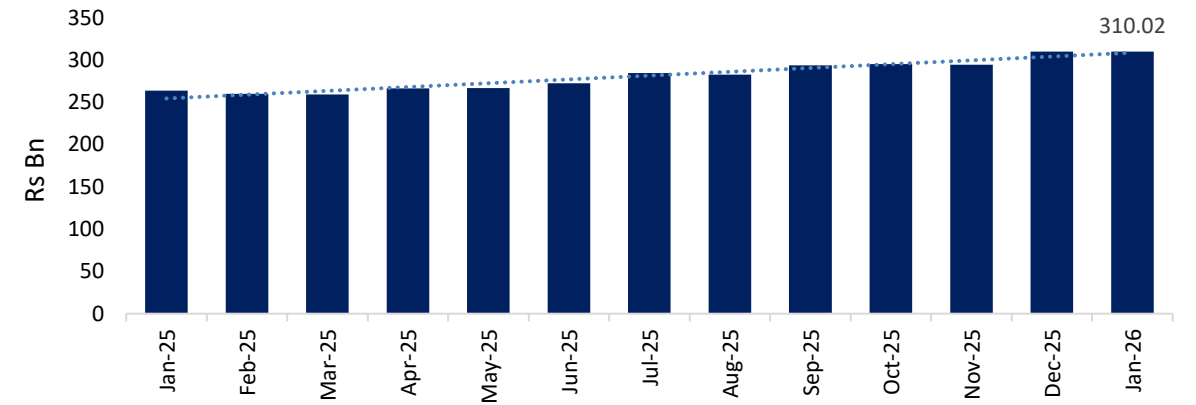
Pure Equity Funds Flows

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



Source: AMFI

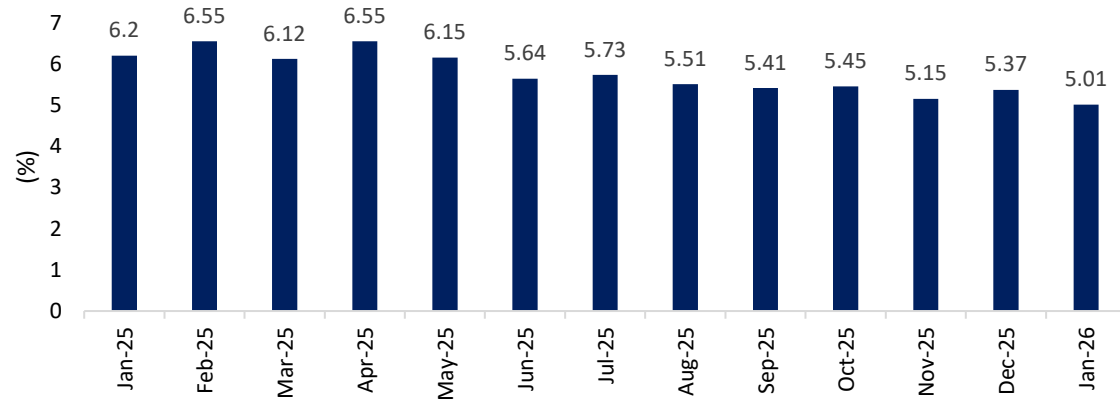
Monthly SIP contribution remains healthy



Source: AMFI

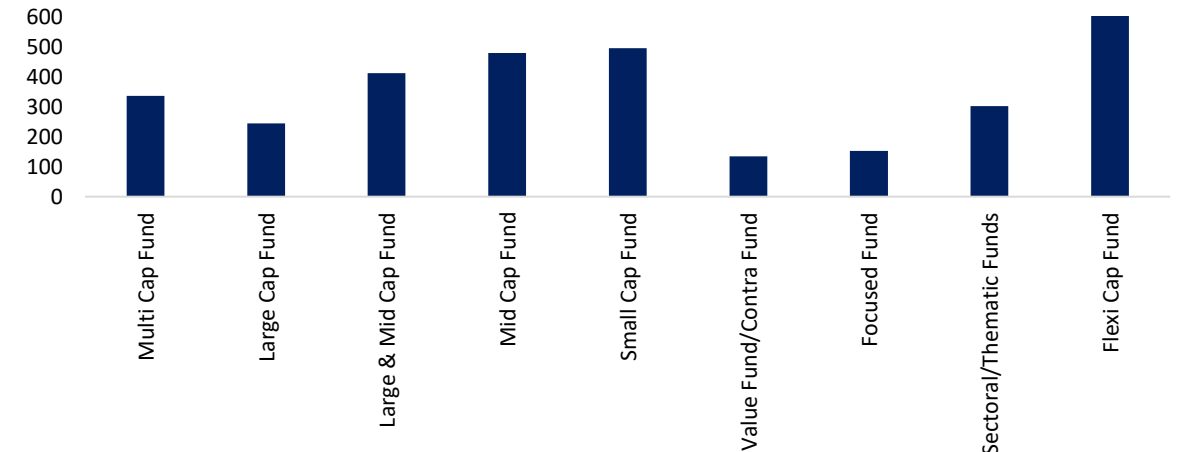
Mutual Funds Aggregate Cash Value

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



Source: ACE MF

Net Flows in different categories of Equity Oriented Funds

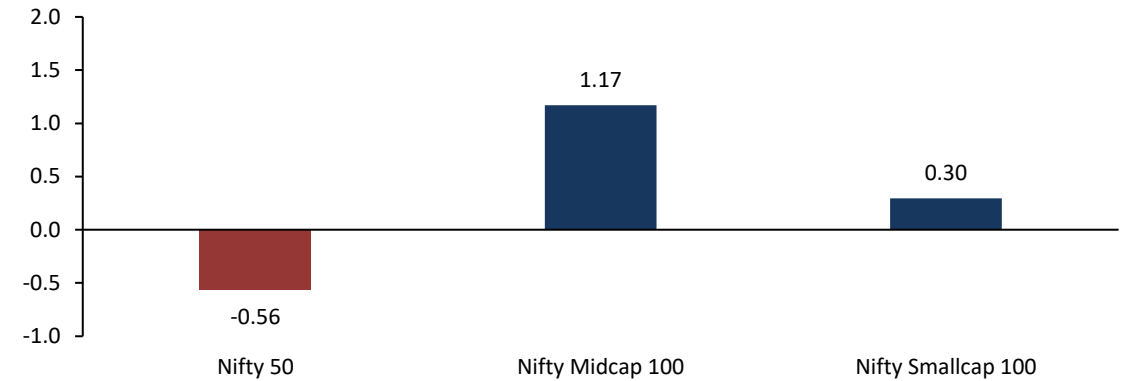


Source: AMFI, data taken on a cumulative basis from Feb 2025 till Jan 2026

Market Roundup – February 2026

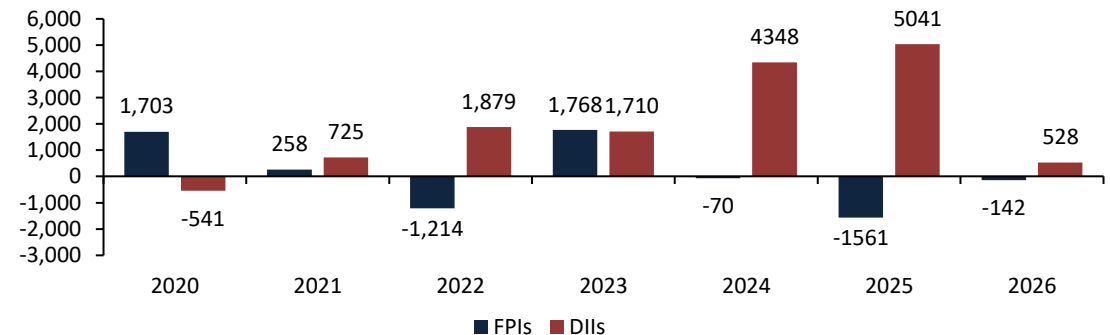
- Indian equities ended the month on a negative note. Large cap-oriented BSE Sensex ended lower by 1.19% (MoM) and Nifty 50 ended lower by 0.56% (MoM). While the BSE Midcap index ended higher by 0.99%(MoM) and BSE Small cap index ended higher by 0.46% (MoM).
- In terms of BSE sectoral indices, the sectors ended on a mixed note. Power, Consumer Durable and Healthcare were the outperformers during the month.
- During the month, FPIs were net buyers in equities to the tune of Rs 152 bn. (Data as on 27th February).
- Domestic equity markets ended the month on a negative note amid, rising geopolitical issues, concerns over potential tariff actions and worries about disruptions related to artificial intelligence. Losses deepened after stronger-than-expected US labour market data showed the economy added 130,000 jobs in January 2026, while the unemployment rate fell to 4.3%, reducing expectations of near-term rate cuts by the US Federal Reserve. Markets also got impacted due to increase in crude oil prices after diplomatic talks between the US and Iran, which ended without any agreement.

Absolute Return In February 2026 (%)



Source: Bloomberg

Net Flows In Equities



*For 2026, FPI and DII data is up to 27th February and 26th February, respectively.

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

Source: SEBI, CDSL

Key concerns for Indian equities

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

Annexure...

Sectoral outlook by fund managers – Part 1

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

Sectoral outlook by fund managers – Part 2

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

Sectoral Movement

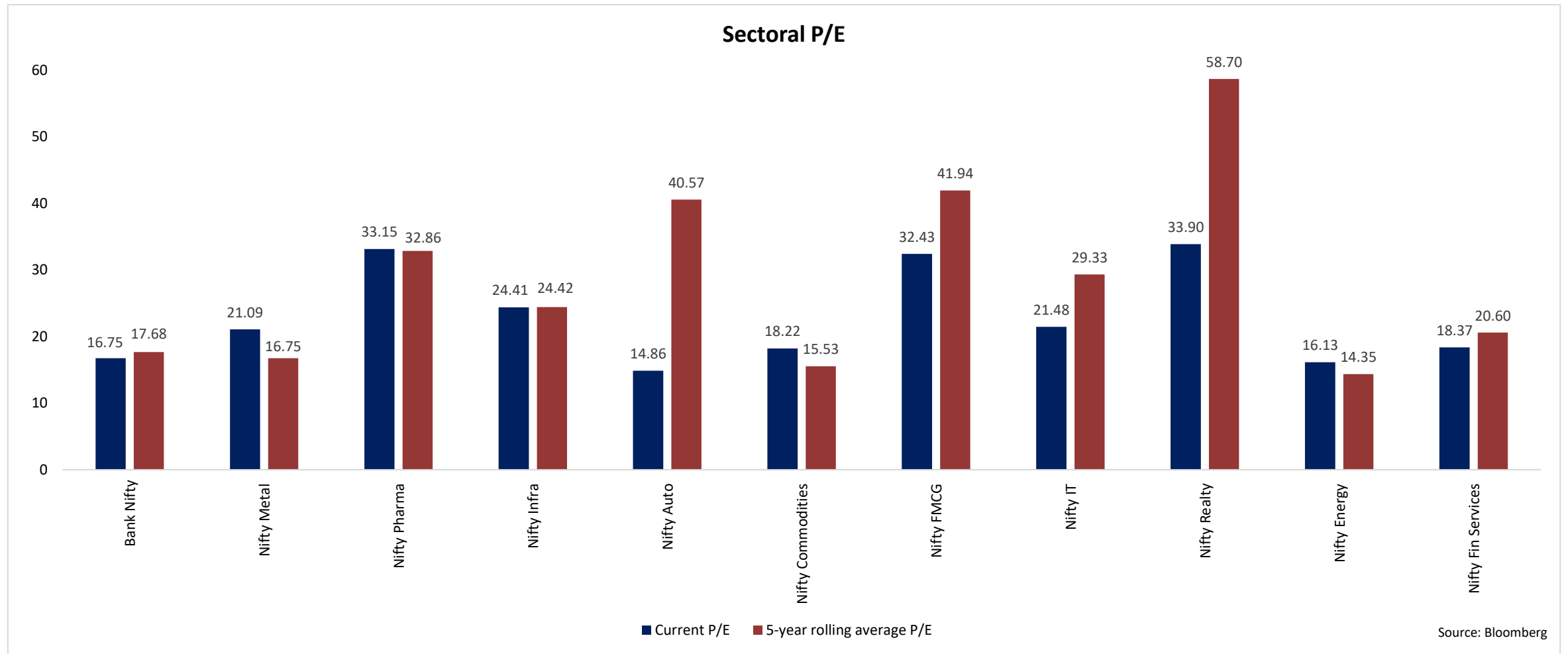
Index	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
BSE 500	-7.85	7.29	3.16	3.39	3.43	-2.87	-1.93	1.21	4.20	0.86	-0.25	-3.36	0.38
Auto	-11.00	4.02	4.73	4.73	2.24	-1.11	5.78	5.89	1.04	3.14	1.31	-5.20	4.95
Bankex	-2.50	8.55	5.17	0.85	1.62	-3.24	-3.34	2.48	5.56	3.10	-0.28	0.46	1.60
Basic Material	-7.22	10.70	-0.62	4.22	5.43	-1.38	-2.36	2.45	2.63	-3.41	4.06	1.38	1.08
Capital Goods	-14.39	13.55	0.09	13.24	1.75	-5.66	-4.13	4.39	3.10	-1.70	-3.03	-0.66	5.68
Consumer Discretionary	-10.36	4.40	3.98	4.32	3.49	-1.47	2.52	0.96	1.91	-0.18	-1.42	-6.86	2.34
Consumer Durables	-8.45	2.67	5.65	0.86	3.17	-0.52	1.96	-4.85	4.97	2.16	-3.01	-7.79	6.98
Energy	-9.09	9.46	5.02	1.95	3.09	-4.70	-3.87	4.22	5.82	-0.42	1.75	-2.54	2.99
FMCG	-10.57	5.79	5.17	-0.71	-0.33	1.61	0.21	-2.44	2.75	-1.22	-0.31	-7.90	0.01
Finance	-3.02	7.97	4.61	3.08	3.43	-2.66	-3.82	2.34	4.78	2.30	-0.64	-1.79	0.88
Healthcare	-8.59	8.40	1.91	0.93	3.88	2.51	-3.86	-1.25	3.38	0.80	-2.41	-5.60	6.22
IT	-12.58	-1.52	-2.97	5.26	3.33	-8.69	-1.07	-3.64	5.51	3.69	1.18	-0.33	-18.74
Infra	-13.81	12.36	0.70	5.03	2.72	-3.81	-4.75	4.44	3.21	-2.78	-1.27	-2.10	4.46
Metal	-1.98	10.07	-5.76	5.89	3.04	-2.56	-1.61	9.43	5.64	-2.89	7.91	5.52	4.07
Oil & Gas	-11.23	11.34	5.40	2.03	3.10	-3.84	-4.69	5.36	6.43	-1.51	1.78	-2.07	5.27
Power	-12.06	14.32	0.90	2.37	1.95	-3.45	-4.56	5.04	3.14	-4.51	-1.66	-1.70	8.99
Realty	-13.42	6.63	3.99	7.21	3.84	-7.33	-4.48	-0.36	9.20	-4.69	-2.96	-10.34	-0.58
Telecom	-10.25	6.84	8.73	3.55	6.10	-7.79	-4.48	0.48	7.22	2.40	1.87	-4.73	0.02
Utilities	-10.61	15.05	1.02	-0.85	2.95	-2.20	-4.47	5.11	3.18	-5.57	-0.96	-2.42	7.41

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	7.06%	32.12%	5.88%	8.15%	5.95%	6.02%	3.82%	8.36%	0.12%	10.73%	0.10%	6.10%	3.53%	0.23%	1.80%
360 ONE MF	6.91%	32.37%	13.65%	5.50%	1.40%	11.38%	4.31%	5.98%	0.00%	2.80%	0.00%	3.36%	9.92%	0.00%	0.01%
Abakus MF	3.10%	29.33%	12.47%	7.29%	3.84%	4.76%	5.06%	2.74%	0.00%	8.34%	0.00%	7.07%	2.37%	0.00%	0.00%
Aditya Birla SL MF	8.71%	31.13%	5.33%	7.04%	5.79%	8.37%	3.29%	10.14%	0.00%	6.47%	0.39%	6.13%	2.94%	0.44%	1.70%
Axis MF	8.65%	27.11%	9.63%	7.22%	2.70%	8.96%	3.66%	6.49%	0.00%	4.27%	0.65%	8.51%	3.27%	0.29%	1.34%
Bajaj Finserv MF	9.08%	29.40%	5.37%	6.65%	4.40%	13.63%	2.82%	3.91%	0.19%	3.05%	0.98%	13.15%	3.14%	1.22%	0.61%
Bandhan MF	4.35%	30.68%	5.61%	6.66%	4.99%	7.84%	5.27%	7.01%	0.11%	6.70%	1.38%	8.04%	2.23%	0.99%	2.82%
Bank of India MF	6.57%	21.55%	12.07%	10.60%	5.34%	6.36%	2.90%	4.36%	0.48%	6.30%	0.20%	8.53%	2.66%	1.17%	2.07%
Baroda BNP Paribas MF	9.38%	24.99%	8.00%	8.28%	5.18%	8.30%	2.79%	7.15%	0.00%	8.48%	0.35%	9.39%	2.49%	0.00%	1.20%
Canara Robeco MF	8.47%	26.85%	8.92%	5.67%	6.23%	13.08%	3.35%	6.76%	0.08%	5.00%	0.82%	7.14%	2.59%	0.30%	1.87%
Capitalmind MF	8.20%	24.76%	6.89%	9.96%	0.00%	2.90%	0.00%	0.00%	0.00%	4.25%	0.00%	1.20%	2.60%	0.00%	0.00%
DSP MF	8.60%	29.41%	7.50%	7.83%	3.42%	6.07%	3.20%	7.41%	0.00%	6.78%	0.20%	10.82%	2.88%	0.79%	0.77%
Edelweiss MF	7.98%	30.83%	10.24%	9.43%	4.39%	7.30%	3.13%	6.95%	0.00%	4.41%	0.24%	8.01%	2.68%	0.71%	1.06%
Franklin Templeton MF	5.58%	27.03%	9.26%	6.07%	3.96%	9.90%	4.12%	8.63%	0.00%	7.93%	0.20%	7.21%	3.56%	0.56%	1.91%
Groww MF	7.25%	33.79%	6.42%	6.67%	0.53%	1.77%	5.14%	3.54%	0.00%	1.75%	0.00%	3.26%	1.98%	0.00%	2.04%
HDFC MF	11.02%	31.33%	6.11%	5.32%	3.59%	6.25%	1.98%	6.24%	0.25%	4.44%	0.11%	9.45%	2.62%	0.43%	3.17%
Helios MF	5.36%	37.49%	9.27%	0.99%	2.48%	11.24%	5.63%	2.09%	0.37%	9.02%	0.00%	5.83%	2.21%	1.09%	5.38%
HSBC MF	5.20%	32.21%	14.82%	5.58%	4.83%	8.76%	4.30%	5.90%	0.00%	4.29%	0.43%	4.98%	1.87%	1.86%	2.38%
ICICI Pru MF	8.67%	25.51%	5.73%	6.80%	4.51%	6.97%	5.26%	8.12%	0.21%	9.96%	1.18%	7.36%	2.74%	0.63%	2.39%
Invesco MF	5.43%	32.03%	9.01%	2.90%	1.14%	13.99%	5.84%	6.78%	0.00%	2.09%	0.54%	12.65%	1.28%	0.00%	4.83%
ITI MF	6.68%	30.69%	12.35%	9.32%	3.65%	7.35%	3.68%	4.68%	0.00%	4.43%	0.86%	10.51%	2.13%	0.72%	1.27%
JM Financial MF	6.19%	32.23%	8.21%	7.61%	4.91%	6.49%	3.17%	7.54%	0.17%	4.17%	0.00%	8.05%	3.34%	1.43%	2.47%
Kotak Mahindra MF	8.27%	26.27%	9.67%	11.94%	2.73%	8.86%	3.96%	7.84%	0.40%	5.80%	0.08%	7.93%	3.16%	0.17%	1.23%
LIC MF	8.56%	24.32%	19.25%	6.29%	7.17%	6.40%	3.68%	4.98%	0.17%	3.18%	0.38%	6.92%	2.14%	0.80%	2.14%
Mahindra Manulife MF	7.68%	29.47%	8.63%	8.27%	4.08%	6.48%	2.02%	7.21%	0.13%	6.54%	0.38%	9.91%	3.83%	1.09%	1.08%
Mirae Asset MF	7.74%	30.76%	3.78%	5.77%	4.76%	10.43%	4.33%	8.11%	0.00%	5.84%	0.16%	10.24%	3.36%	0.05%	3.51%
Motilal Oswal MF	4.51%	27.12%	14.19%	2.01%	0.70%	15.13%	2.48%	13.26%	0.00%	0.91%	4.53%	2.35%	5.79%	0.19%	0.61%
Navi MF	8.77%	35.99%	11.18%	4.21%	5.23%	4.56%	2.71%	6.44%	0.09%	4.85%	0.00%	6.99%	2.54%	0.36%	2.15%
Nippon India MF	6.85%	27.61%	10.98%	4.91%	6.26%	12.13%	2.65%	4.73%	0.28%	7.69%	0.55%	10.05%	0.97%	0.66%	1.73%
NJ MF	15.56%	25.83%	0.20%	4.20%	16.81%	3.34%	0.00%	13.66%	0.00%	3.24%	0.00%	10.65%	0.00%	2.46%	3.60%
Old Bridge MF	7.38%	15.75%	0.00%	17.37%	5.61%	1.01%	3.65%	7.67%	0.00%	0.00%	2.59%	12.48%	4.31%	0.00%	11.90%
PGIM India MF	7.61%	27.14%	9.16%	9.66%	4.25%	12.07%	2.96%	6.41%	0.00%	3.14%	0.00%	9.94%	2.74%	0.06%	1.48%
PPFAS MF	7.40%	26.66%	0.02%	0.00%	6.41%	2.18%	0.00%	12.01%	0.00%	11.30%	0.00%	4.03%	3.15%	0.00%	4.56%
Quant MF	6.37%	26.06%	3.27%	8.11%	4.44%	3.00%	9.05%	1.82%	1.31%	15.38%	1.44%	10.96%	1.83%	1.65%	0.78%
Quantum MF	10.08%	38.09%	1.63%	4.08%	0.90%	4.67%	0.65%	16.33%	0.18%	3.70%	0.50%	4.92%	2.54%	0.00%	4.87%
Samco MF	8.31%	22.84%	9.05%	7.77%	3.09%	2.85%	0.49%	1.33%	0.00%	1.01%	1.04%	4.49%	0.59%	0.06%	1.98%
SBI MF	7.74%	27.53%	6.14%	7.96%	4.66%	8.73%	3.09%	5.74%	0.08%	9.22%	1.54%	6.30%	2.79%	1.16%	1.90%
Shriram MF	10.28%	35.20%	3.00%	2.47%	1.88%	4.37%	1.95%	10.64%	0.25%	8.70%	0.00%	9.83%	4.66%	0.00%	5.32%
Sundaram MF	6.97%	29.53%	8.24%	5.39%	5.27%	9.65%	3.67%	6.86%	0.18%	6.27%	0.32%	7.52%	4.16%	0.10%	2.30%
Tata MF	5.02%	23.42%	7.27%	8.32%	4.94%	6.56%	3.19%	15.64%	0.21%	6.41%	0.86%	6.36%	2.75%	0.47%	3.17%
Taurus MF	8.10%	19.94%	7.43%	7.22%	8.57%	3.99%	1.47%	9.47%	0.00%	13.79%	0.00%	10.34%	4.51%	0.82%	1.00%
The Wealth Company MF	11.85%	34.17%	9.93%	8.42%	0.69%	4.26%	5.95%	14.51%	0.00%	4.68%	0.00%	2.61%	3.61%	0.00%	0.39%
Trust MF	7.76%	32.45%	12.35%	9.30%	1.18%	7.80%	2.23%	4.81%	0.00%	1.90%	0.00%	7.59%	1.56%	0.62%	3.89%
Unifi MF	6.97%	31.25%	4.26%	8.36%	3.34%	0.92%	3.94%	8.67%	0.00%	6.74%	1.13%	10.50%	5.20%	1.43%	4.55%
Union MF	9.61%	29.84%	10.95%	7.25%	3.28%	9.09%	4.15%	7.53%	0.22%	3.70%	0.00%	7.25%	2.71%	0.27%	1.18%
UTI MF	10.12%	26.11%	5.77%	5.37%	3.83%	13.63%	2.67%	10.23%	0.22%	4.60%	0.46%	8.77%	2.93%	0.37%	1.81%
WhiteOak Capital MF	5.65%	31.72%	8.35%	5.19%	3.40%	9.14%	1.96%	8.01%	0.01%	3.36%	1.64%	11.18%	3.49%	0.03%	1.76%

Data as on 30th January, 2026

Source : ICRA Analytics Limited

Fixed Income Market

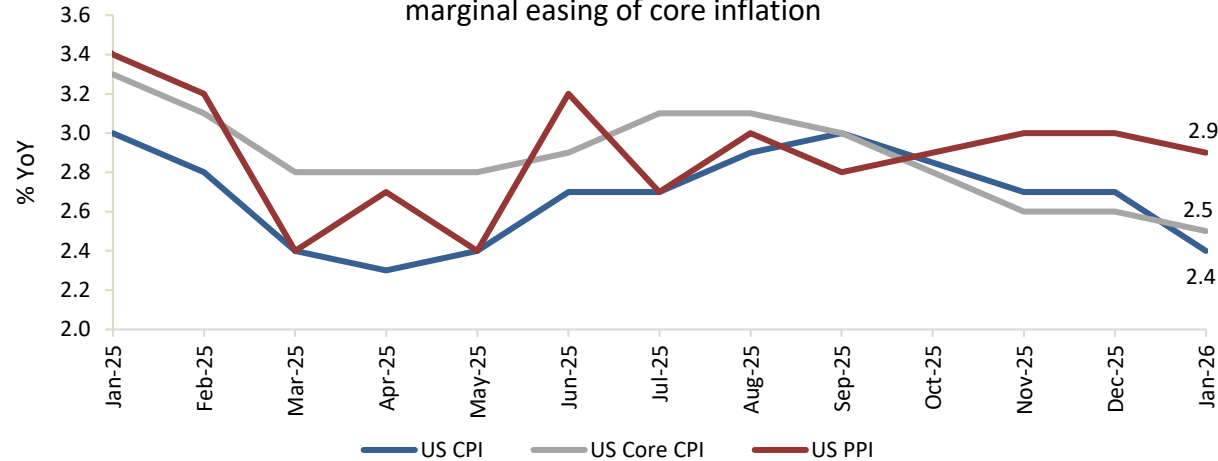
Fixed Income Outlook and Strategy – March 2026

Even as US tariff reset calms nerves, imported volatility keeps risk premiums elevated

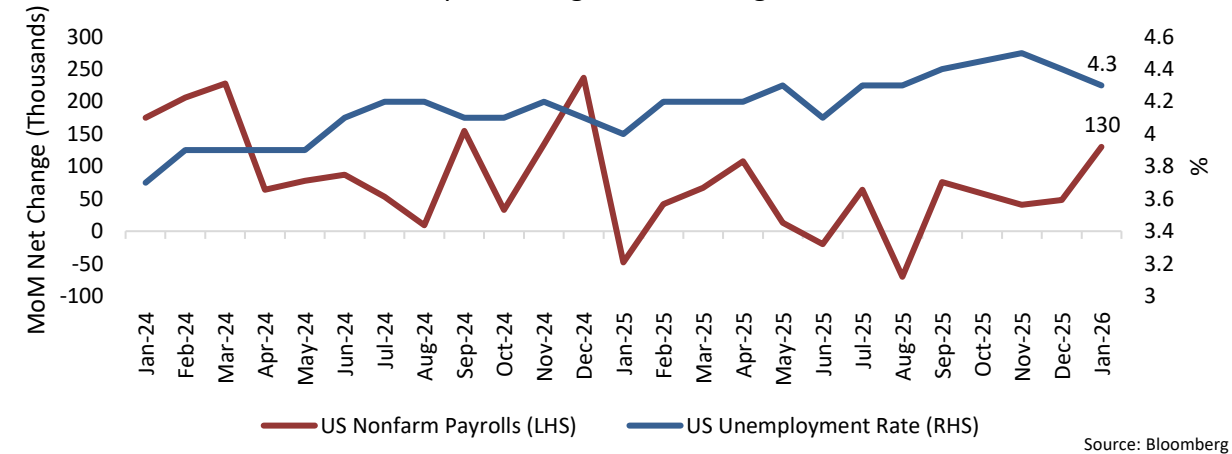
- RBI's continuous effort to provide the banking system with enough liquidity got support from abating trade tensions and FPI's turning buyers on aggregate during the initial part of February, moving liquidity back to a comfortably surplus zone. Going forward, if currency faces renewed and sustained pressure, the RBI may need to intervene in the forex market, which may affect liquidity conditions adversely.
- Under the new series, the CPI inflation for January 2026 accelerated and came back above the lower range of RBI's tolerable band, but it was still benign. The market expects the number to be revised further. The extension of ongoing geopolitical escalation can also have negative bearing on inflation in India and continues to remain a key monitorable.
- The external sector continued getting support from strong services exports and record forex reserves. Going forward, the effect of AI narrative on the former, and currency defence by the Central bank (if any) on the latter, may have a bearing on the strength of the external sector if uncertainty on trade and geopolitics continues.
- The growth-inflation dynamics under the new base series remains a key monitorable. Although the inflation has remained benign, the persistency of the same in upcoming prints will be watched out for. How the situation develops during the unfolding geopolitical scenario in Middle East may decide the Central bank's future policy action. RBI is expected to remain growth supportive in case external shocks weighs down on the same.
- Commodity prices moved upwards due to renewed and heightened geopolitical escalations. Going forward, if the Middle East conflict does not de-escalate, prices may move higher or remain on the upper band of the range.
- In the US, inflation cooled off and the job market showed signs of stabilising. The market expects a pause in March 2026 but continues to price in two further rate cuts in CY26. However, the impact of the war on inflation, mainly due to any uptick in energy prices, may make the situation trickier and hence will remain a key monitorable.
- Declining inflation may allow the ECB to look at further policy easing if required. Going forward, if the recent energy price shock persists due to the Middle East conflict, it can have an adverse impact on both inflation and policy making.
- During the month, we saw that some Central Banks have started hiking rates on the back of rising inflation. If geopolitical disruptions do not affect the situation drastically, we expect most Central Banks to maintain a pause on policy actions.
- The latest GDP data, the first under the new series, showed the robustness of India's economy. However, the change of Nominal GDP base may have adverse effects on fiscal maths, which may make achieving fiscal consolidation in line with revised or budget estimates more difficult than initially envisioned. The Government will either have to cut spending or contend with higher deficit numbers or create conditions for higher nominal growth and the same remains a key monitorable and is expected to keep G-sec yields volatile in the near term.
- The Corporate bond yield curve normalised after becoming inverted at the shorter end in the previous month. Going forward, quarter end supply may keep the yields at elevated levels for the month, creating opportunities for attractive accruals.
- Thus, at this juncture, with lucrative yields, a case continues to exist for investment into Corporate Bonds that are at the 1-4-year segment of the curve. Hence, investors can look at Corporate Bond Funds and Banking & PSU Debt Funds for a horizon of 15 months and above.
- For a horizon of 24 months and above, investors may consider Income Plus Arbitrage FoFs or consider Dynamic Bond Funds for tactical opportunity.
- As yields in the less than 1-year segment remain high for corporates, for a horizon of 3 months and above, investors can consider Money Market Funds .
- Whereas for a horizon of up to 3 months, investors can consider Overnight Funds and Liquid Funds.
- Investors should invest in line with their risk profile and product suitability.

US: Amidst renewed uncertainties around tariffs post the Supreme Court verdict, lower than expected inflation weighed down on Treasury yields

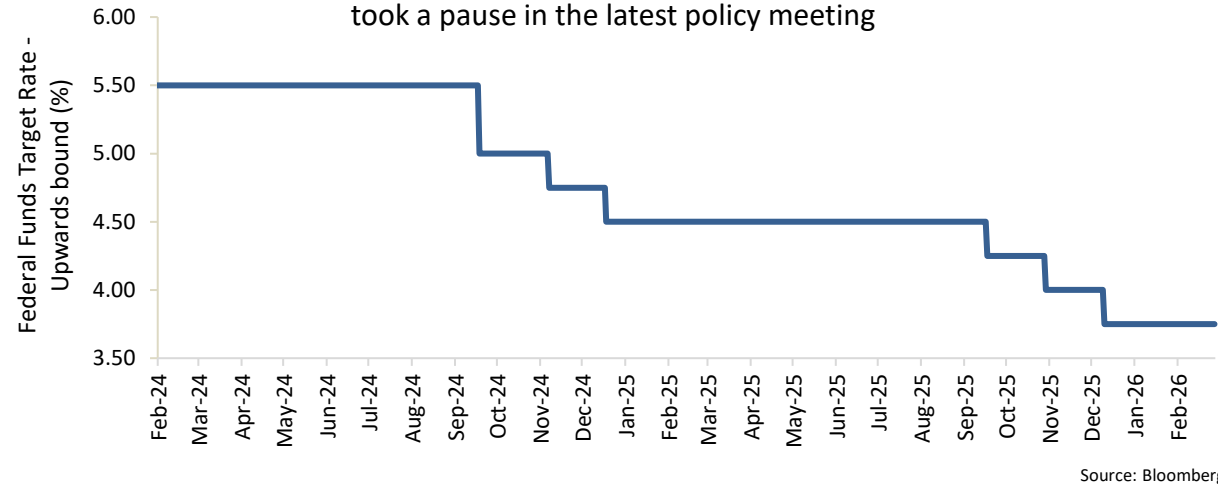
Falling energy prices resulted in a notable drop in headline inflation and marginal easing of core inflation



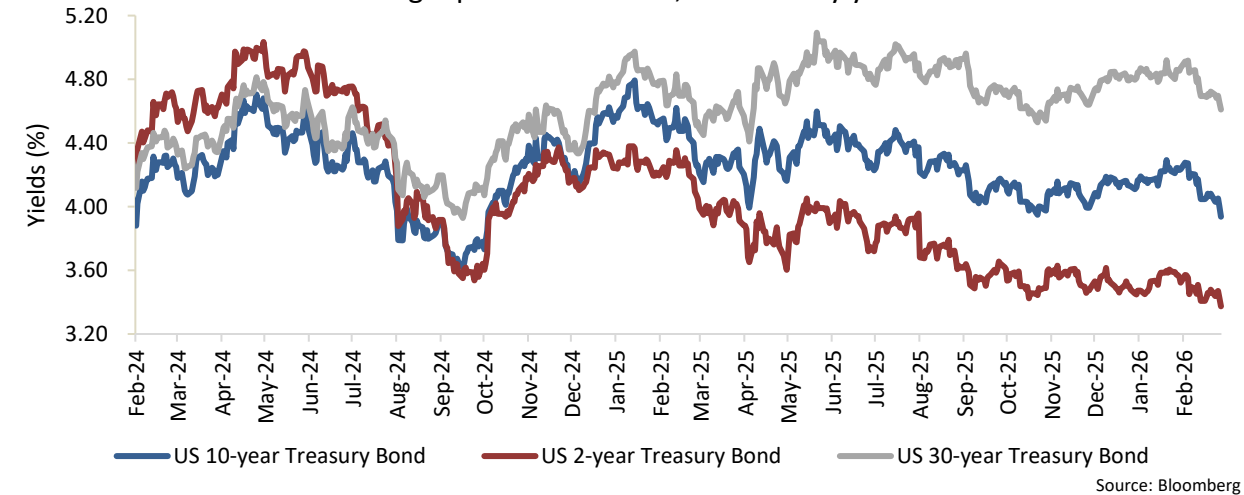
While labor market data indicates conditions may be stabilizing after a period of gradual cooling...



... market still continues to expect further rate cuts in CY26 after the Fed took a pause in the latest policy meeting

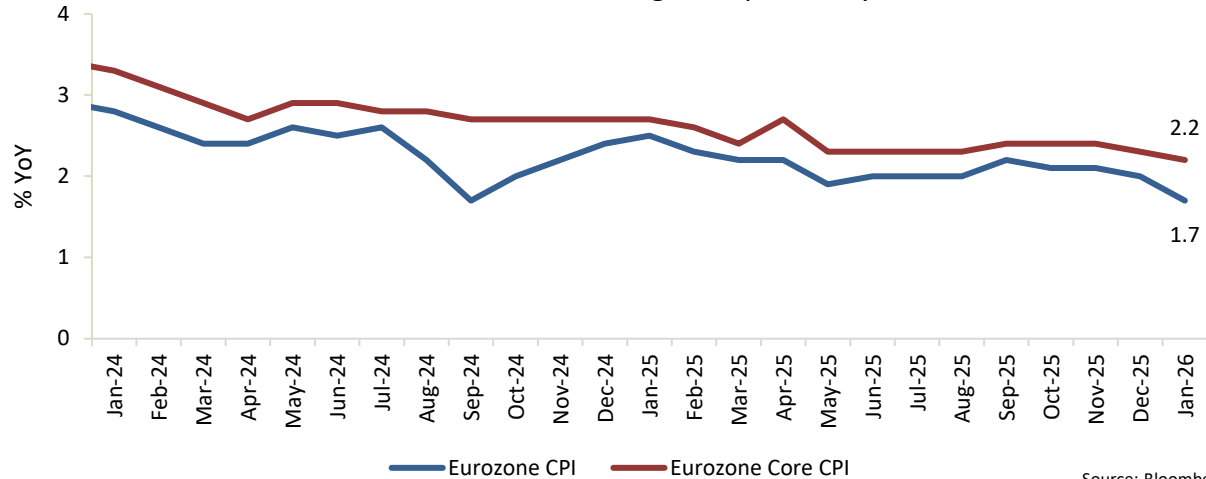


Amidst unabated geopolitical tensions, US Treasury yields went down

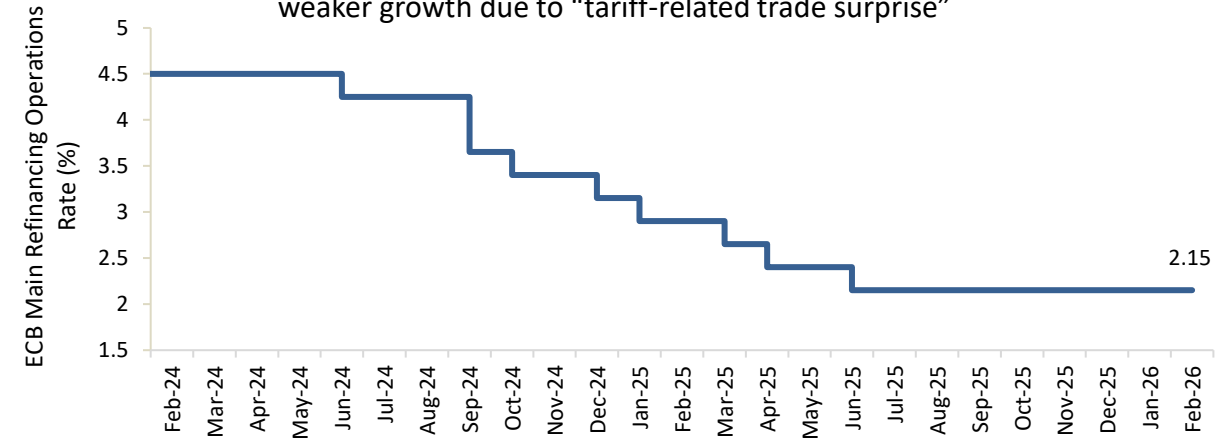


EU: With inflation declining, options have opened up for the ECB to cut policy rates if the trend persists

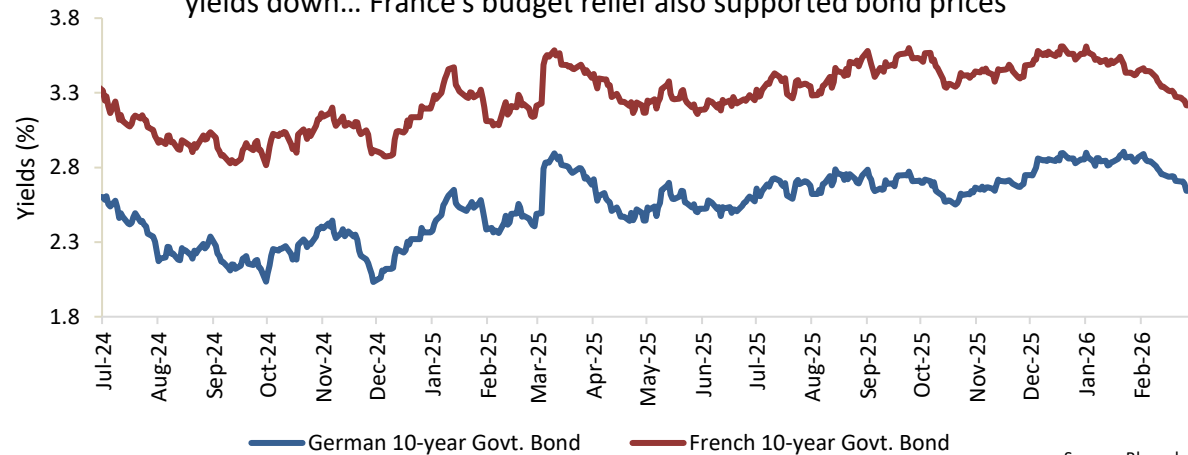
Headline inflation undershot the 2% target despite sticky service inflation



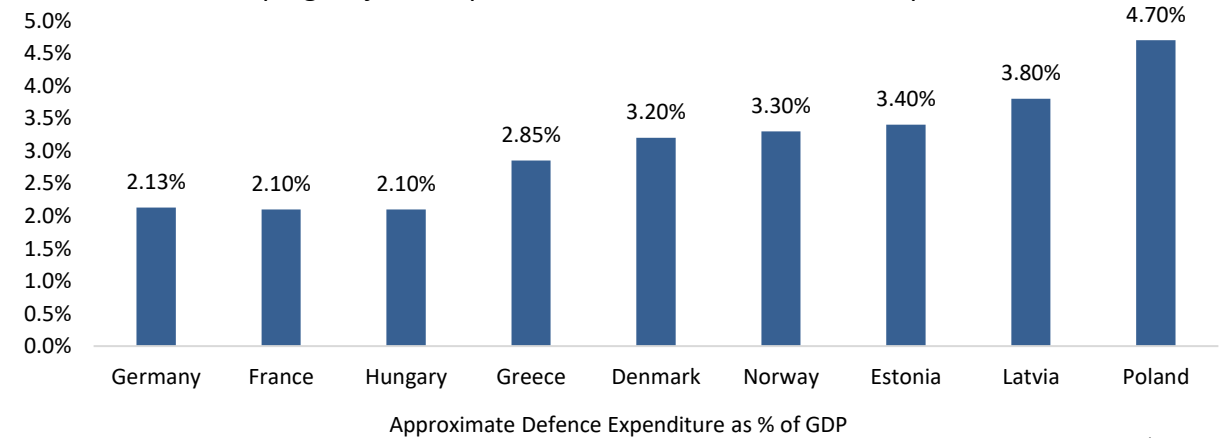
ECB continues to remain data-dependant amidst concerns of probable weaker growth due to “tariff-related trade surprise”



Risk-off sentiments pushed both German and French government bond yields down... France's budget relief also supported bond prices

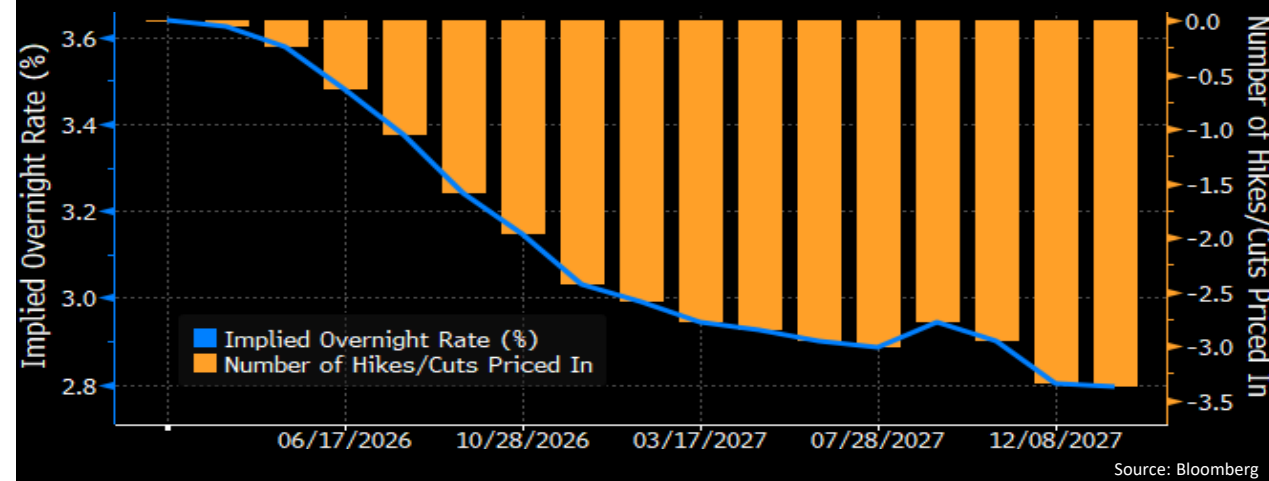


Higher defence budget, surge in energy prices, and sluggish growth is keeping major European countries' fiscal math under pressure



Market participants continue to expect the Fed to cut rates twice in CY26 despite better job data, with no rate cuts expected in March... The ECB remains non-committal to any particular rate path amidst heightened uncertainties

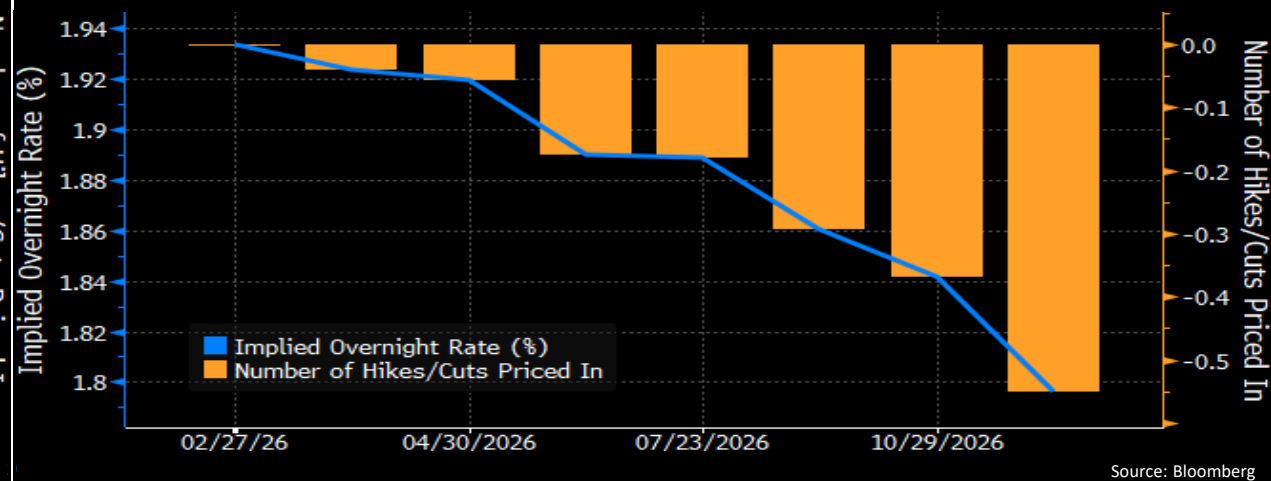
Fed starts assessing effect of AI on both jobs and monetary policy... Participants expect further rate cuts



"First, if AI continues to raise productivity, economic growth could remain strong, even as churn in the labor market leads to an increase in unemployment. In a productivity boom such as this, a rise in unemployment may not indicate increased slack. As such, our normal demand-side monetary policy may not be able to ameliorate an AI-caused unemployment spell without also increasing inflationary pressure. This means that monetary policymakers would face tradeoffs between unemployment and inflation. While there is a role for monetary policy, education, workforce, and other policy that is nonmonetary may be better suited to address these challenges in a more targeted way."

- US Federal Reserve Governor Lisa D Cook

ECB continues to look inwards amidst ongoing global trade policy uncertainty and geopolitical tensions

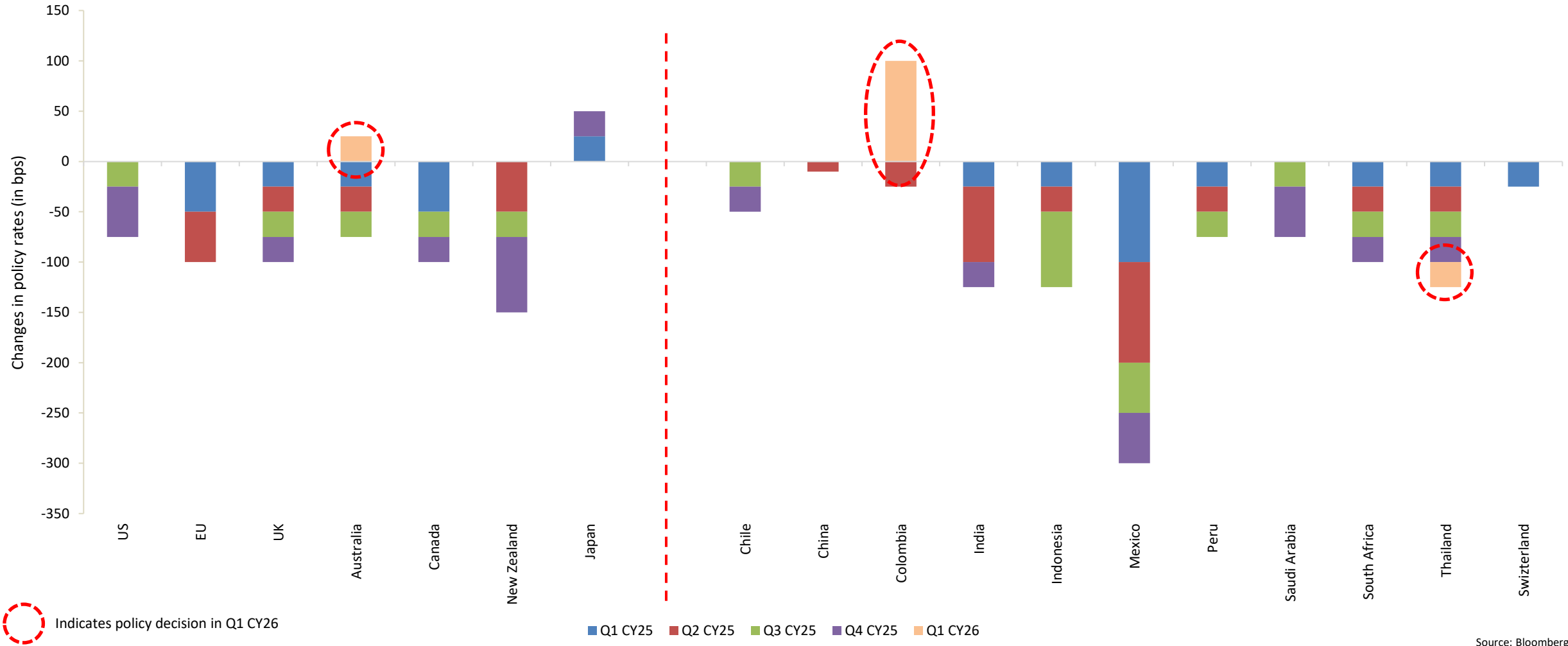


"The Governing Council stresses the urgent need to strengthen the Euro area and its economy in the present geopolitical context. Governments should prioritise sustainable public finances, strategic investment and growth-enhancing structural reforms. Unlocking the full potential of the Single Market remains crucial. It is also vital to foster greater capital market integration by completing the savings and investments union and the banking union to an ambitious timetable, and to rapidly adopt the Regulation on the establishment of the digital euro."

- Combined monetary policy decisions and statement
5 February 2026

Central Banks across major economies seem to have reached the end of their respective rate easing cycle - ex of US

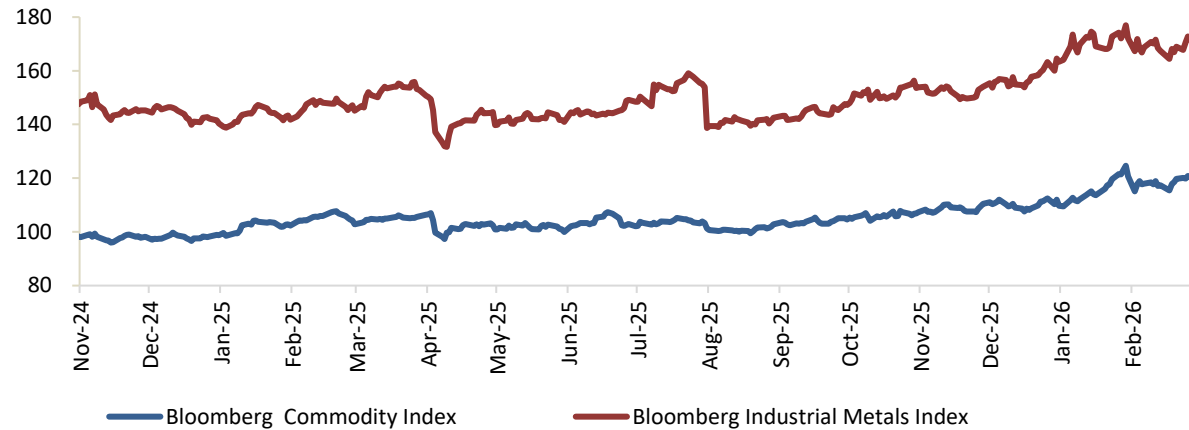
Some countries (Australia & Columbia) have started raising rates as inflation has started inching up



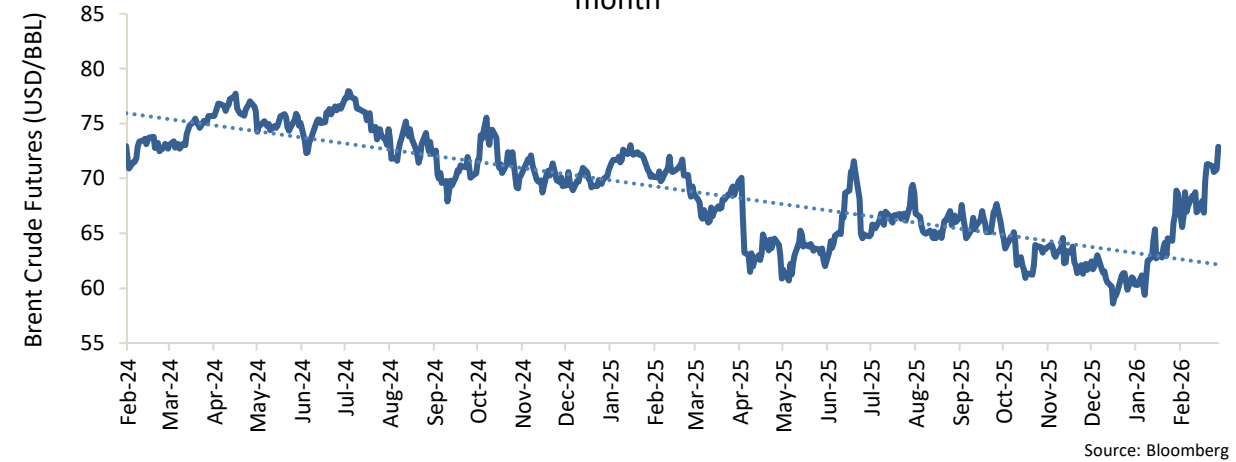
Source: Bloomberg

Global Commodities – Renewed tariff tensions and heightened geopolitical tensions have pushed commodity prices higher

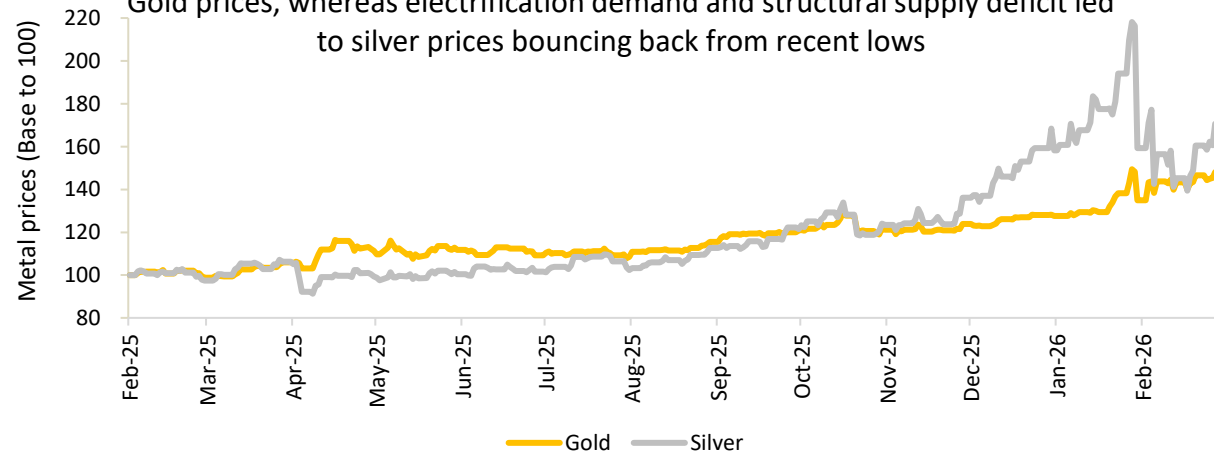
Commodity index surged on the back of energy & precious metals whereas industrial metals consolidated after recent rise



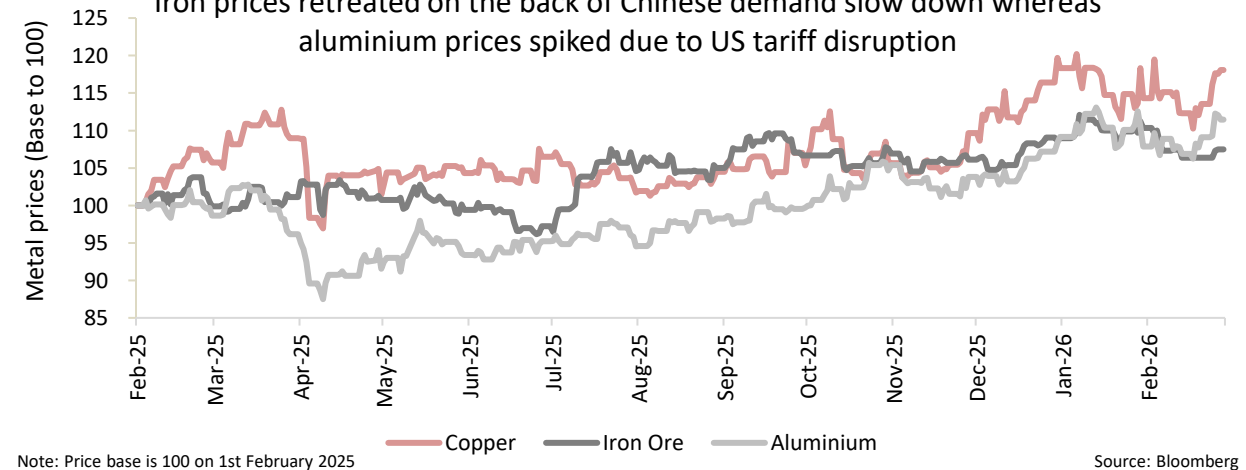
The US-Iran geopolitical escalation pushed Crude prices higher during the month



Geopolitical escalation in the Middle East and US tariff tensions pushed up Gold prices, whereas electrification demand and structural supply deficit led to silver prices bouncing back from recent lows

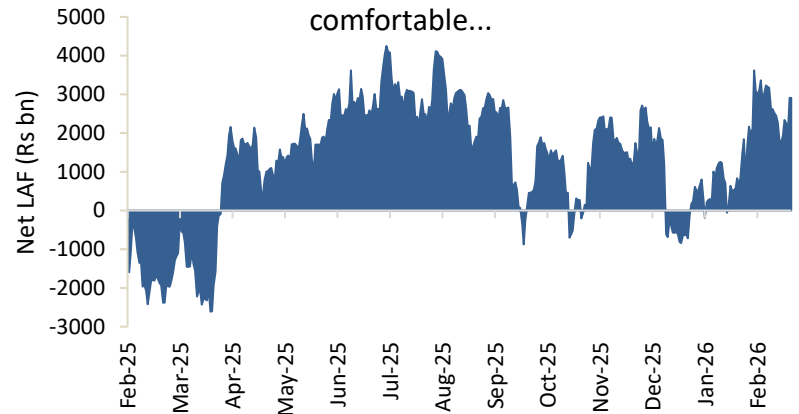


Industrial metals' upmove cooled off after reaching recent highs... Copper & Iron prices retreated on the back of Chinese demand slow down whereas aluminium prices spiked due to US tariff disruption

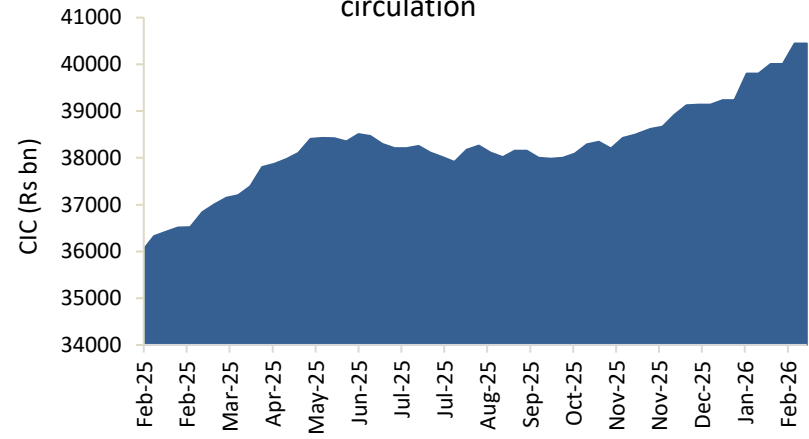


RBI's sustained liquidity support coupled with Government spending led to system liquidity remaining in comfortably surplus mode

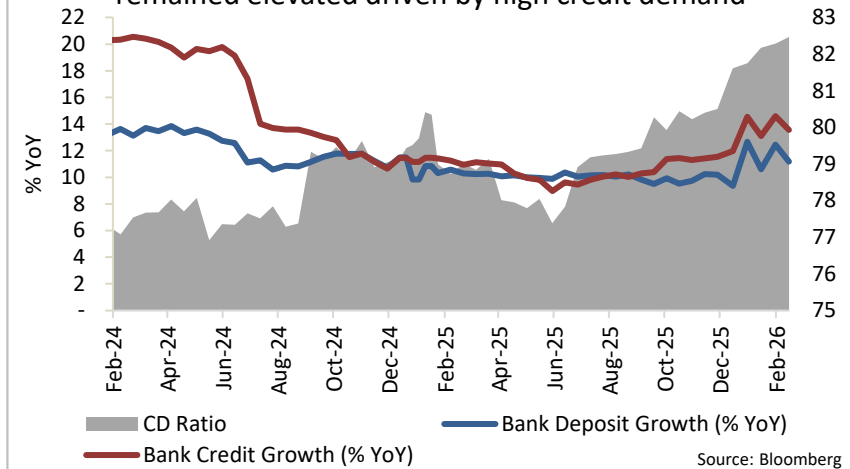
Abating trade worries and support from RBI's liquidity infusion kept system liquidity comfortable...



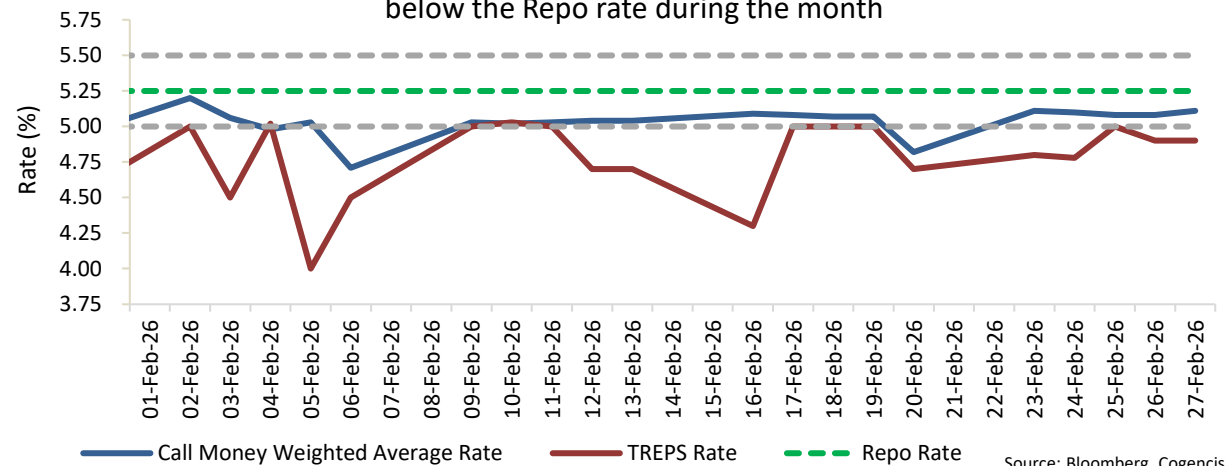
... offsetting adverse effects of high Currency in circulation



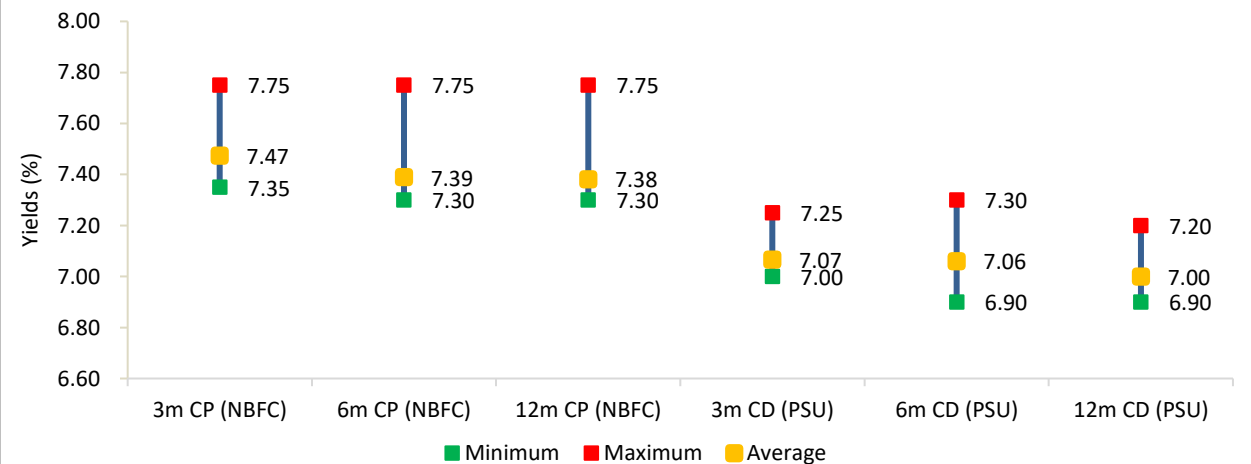
Despite improving liquidity conditions, CD ratio remained elevated driven by high credit demand



Comfortable liquidity position kept the Call Money rate and TREPS rate below the Repo rate during the month

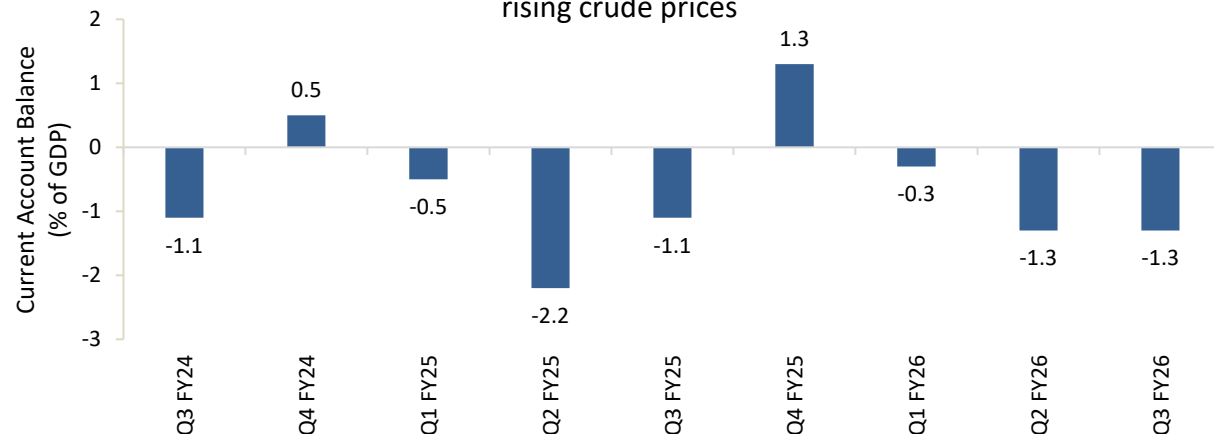


CD & CP yields started coming down with improving liquidity



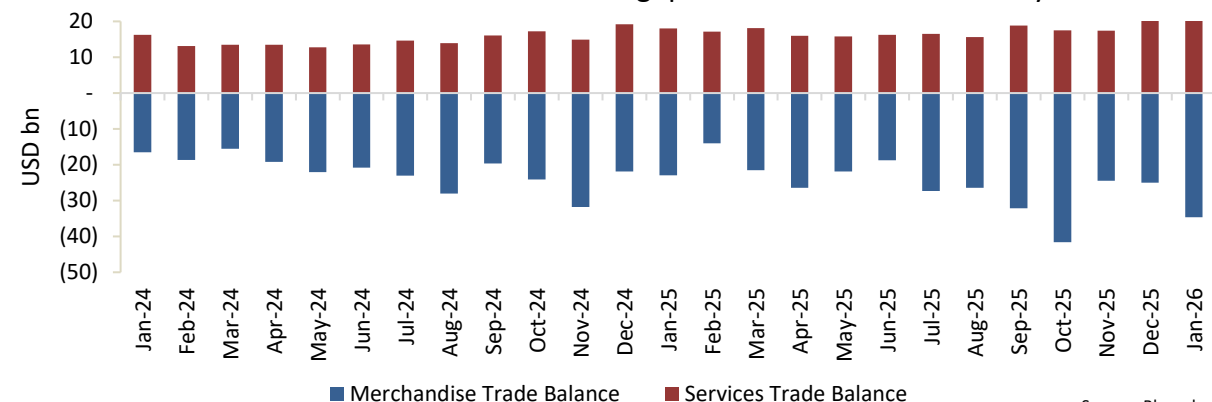
Despite higher precious metal imports weighing down on CAD, India's external sector continued showing resilience amidst the US trade policy uncertainty on the back of a record forex buffer and strong services exports

Current account balance remains stable but may face challenges due to rising crude prices



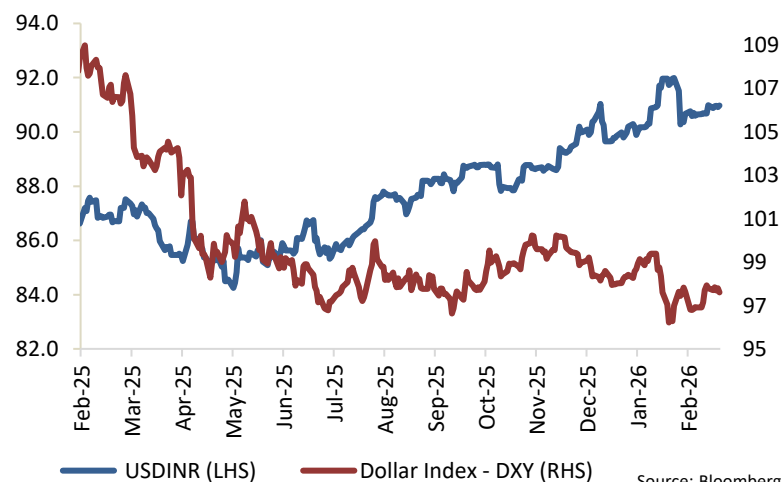
Source: Cogencis; RBI

Merchandise trade deficit widened due to high gold and silver imports, but got cushioned as services exports witnessed a significant jump... However, worries around AI narrative is raising questions about sustainability



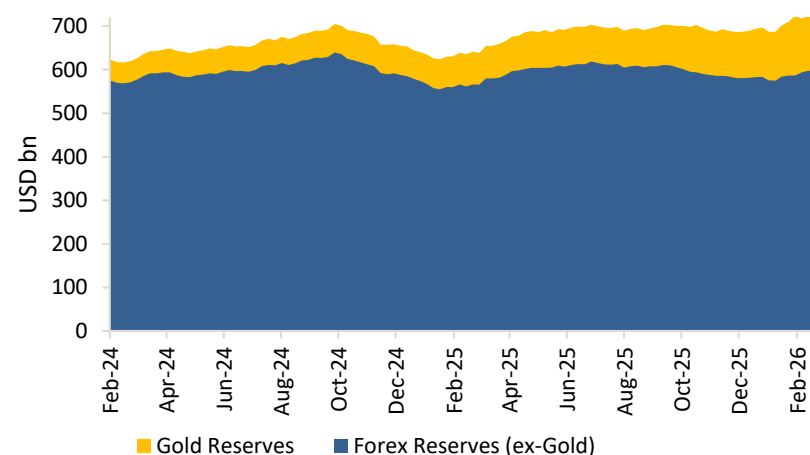
Source: Bloomberg

USDINR saw some respite post trade deal updates



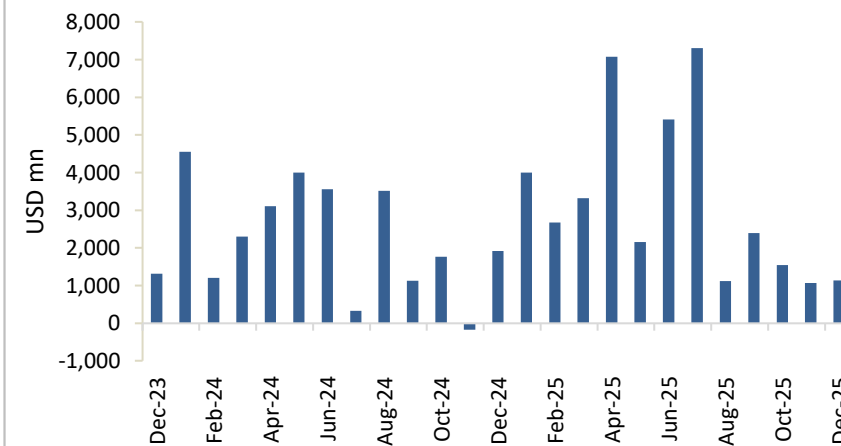
Source: Bloomberg

Forex Reserves reach an all time high...



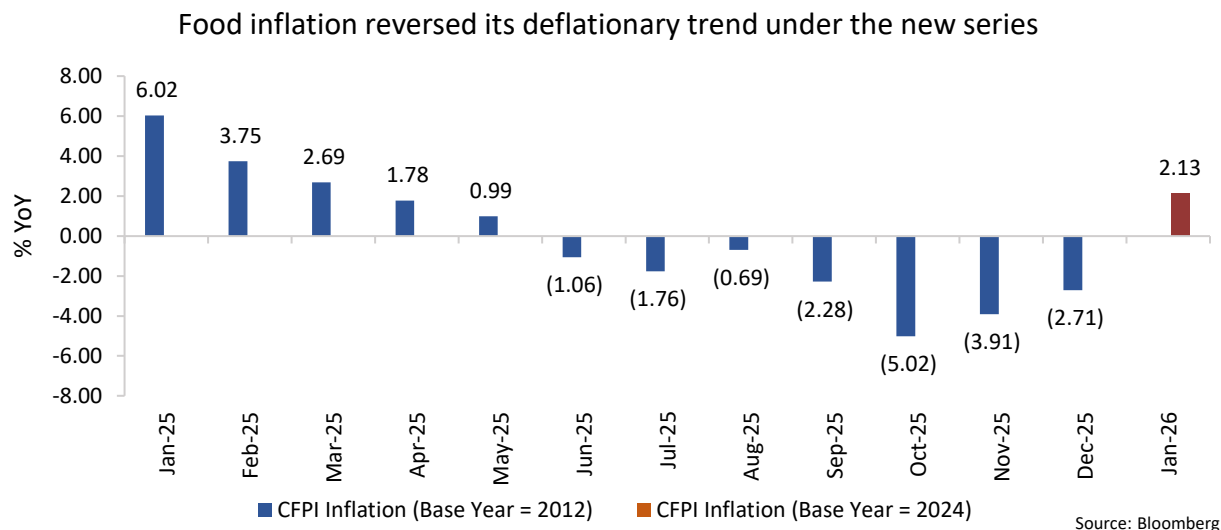
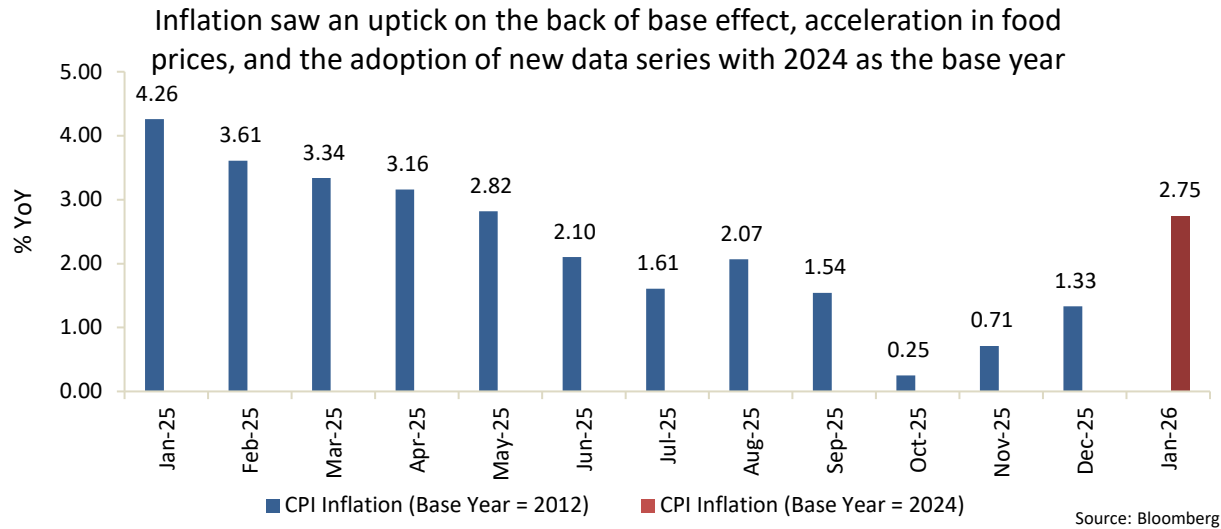
Source: Bloomberg

... however, weak FDI inflows still remain a concern



Source: Bloomberg

The first print under the new inflation series saw headline inflation moving back above the lower range of RBI's medium-term band, but comfortably below the 4% target... RBI is likely to release inflation estimates based on the new series soon



Inflation Projection is expected to get revised further

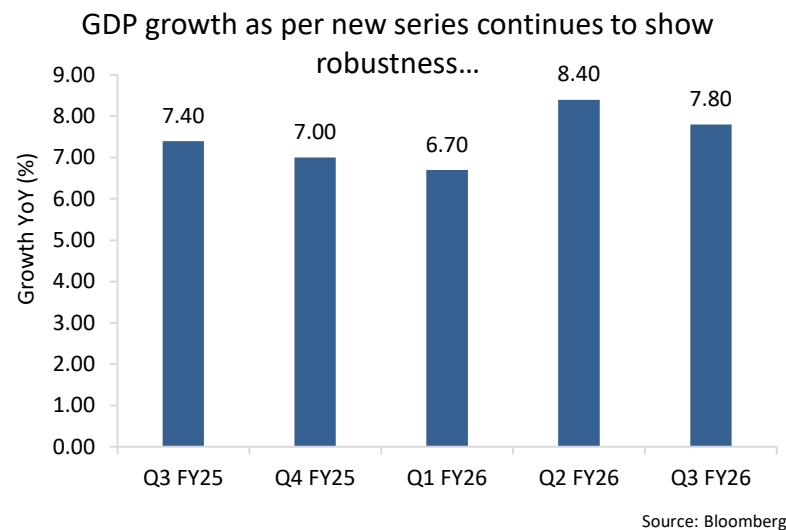
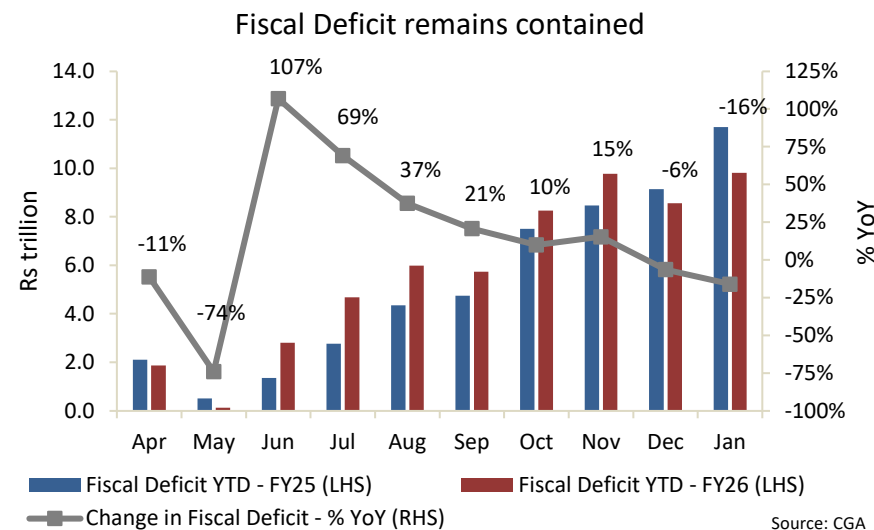
MPC Inflation Expectations (Forecasts as on policy announcement month)			
Date	Feb-26	Dec-25	Oct-25
Q4 FY26	3.20%	2.90%	4.00%
FY26	2.10%	2.00%	2.60%
Q1 FY27	4.00%	3.90%	4.50%

Source: RBI Press release

“Inflation forecast for the first two quarters of 2026-27 (FY27) is likely to be revised upwards by 20–30 basis points to reflect the immediate statistical impact of the base year revision”

- Saugata Bhattacharya
Member of the RBI's monetary policy committee

G-sec yields were volatile within a range during the month as interim trade deal relief and bond switch auctions were offset by US trade policy uncertainty and lack of liquidity measures announced during the MPC

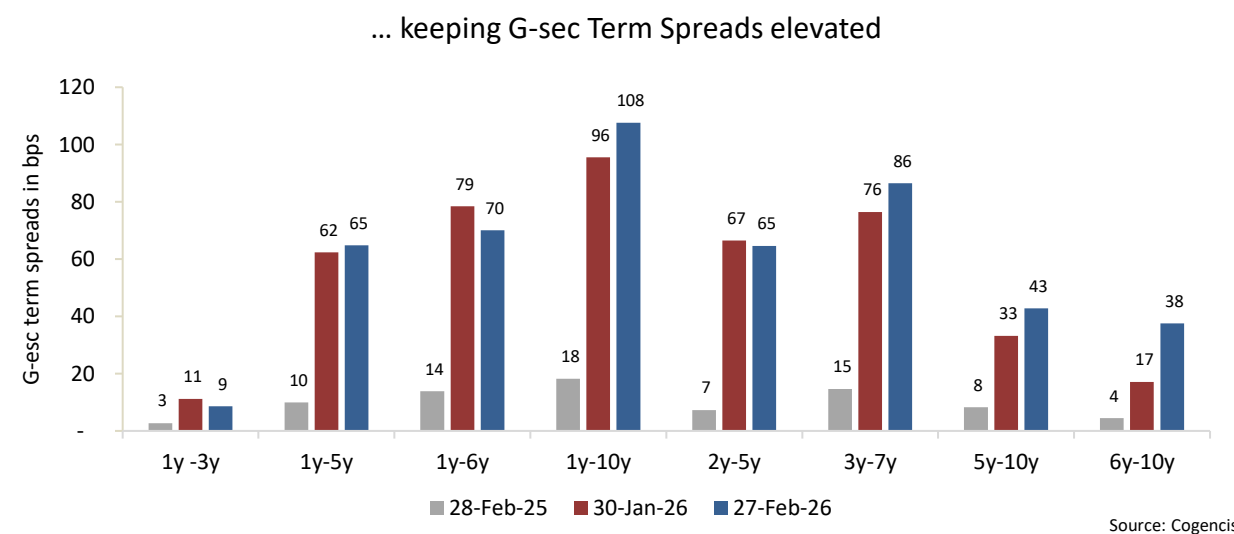
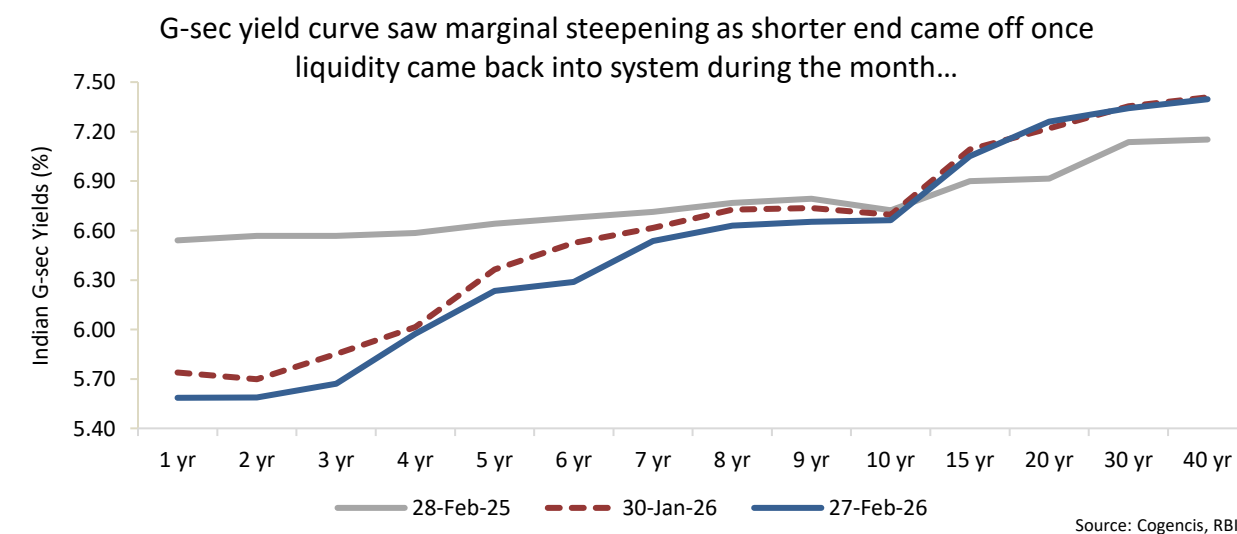


... however, lower nominal GDP may put fiscal maths under pressure, bringing short term volatility in G-sec yields

Effect of change in Nominal GDP		
	Based on earlier series	Based on new series
Fiscal Deficit to GDP (FY26 RE)	4.40%	4.50%
Fiscal Deficit to GDP (FY27 BE)	4.30%	4.50%
Debt to GDP (FY27)	55.60%	57.50%

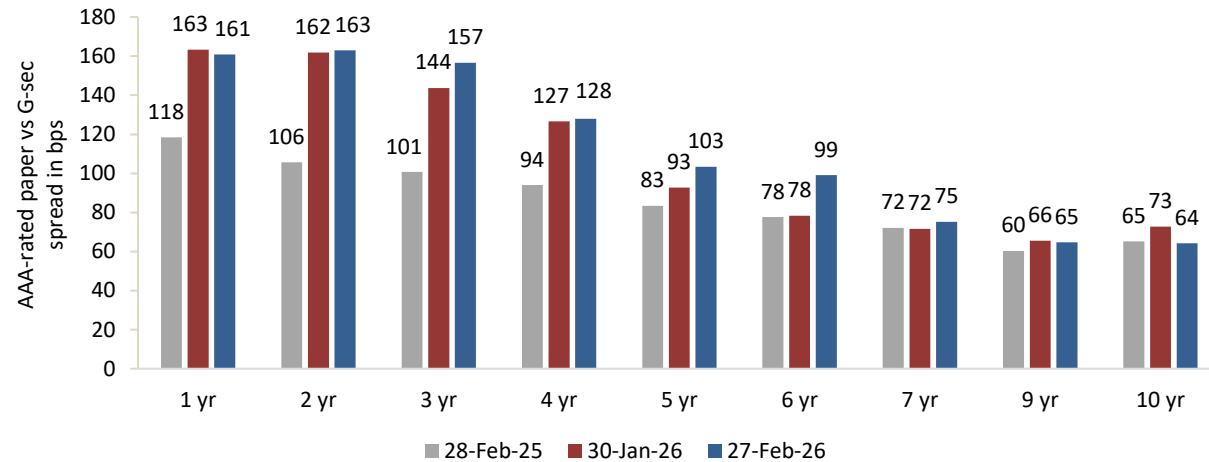
Note: RE- Revised Estimate; BE - Budget Estimates

Source: HDFC Bank Economist team



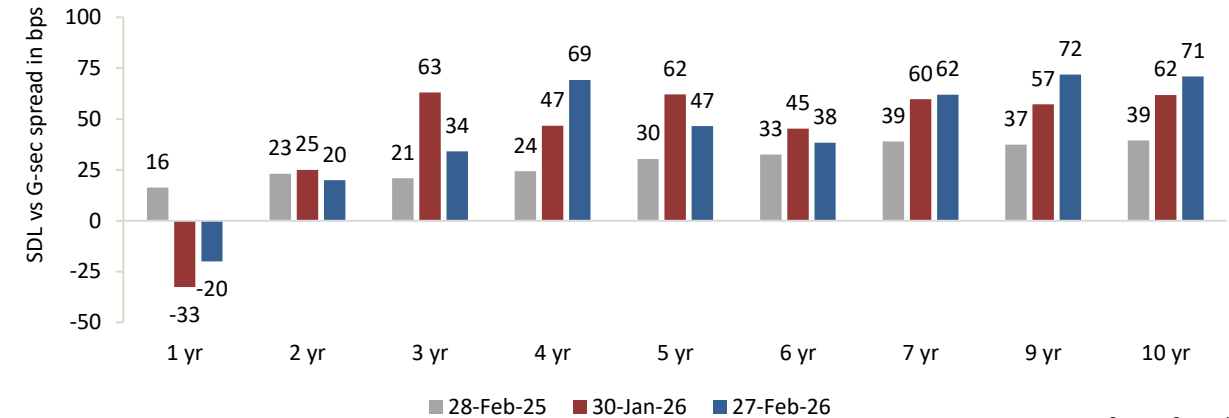
High quarter end demand weighed down on Corporate bonds and SDLs, keeping spreads elevated over G-secs and providing lucrative accrual opportunity

Corporate Bond spreads saw quarter end pressure



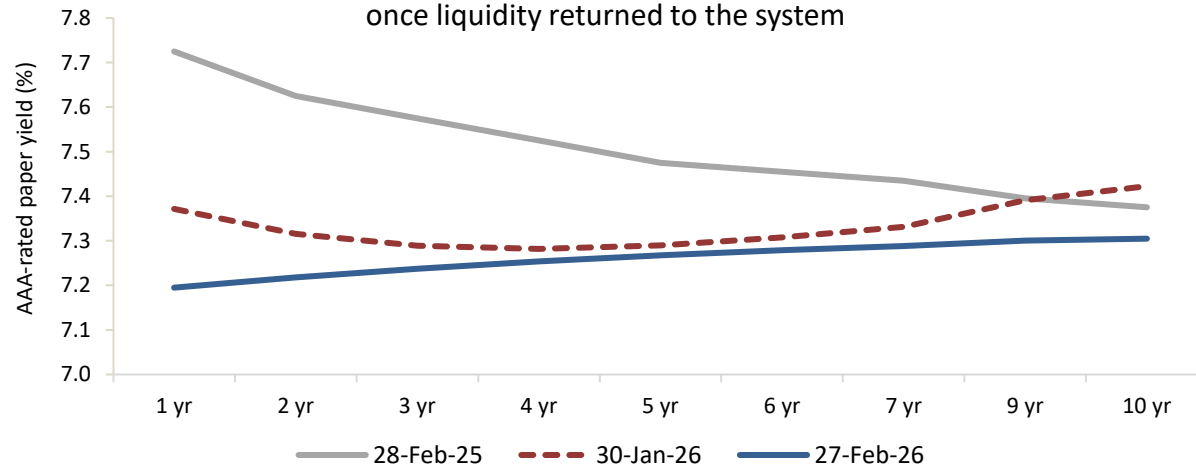
Source: Cogencis

SDL spreads also remained elevated, especially at the medium to longer end of the curve



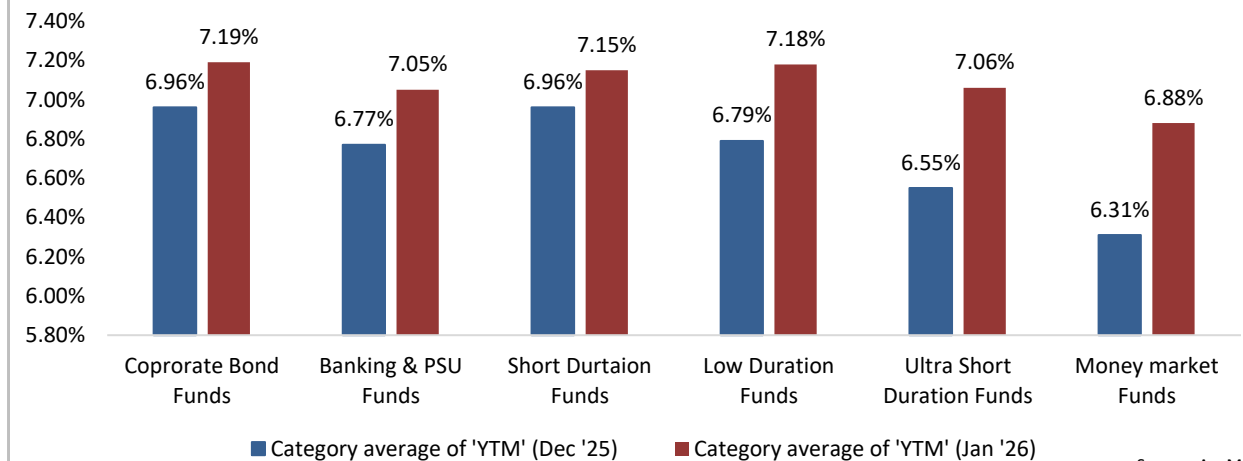
Source: Cogencis

Corporate bond yield curve started normalising as shorter end came off once liquidity returned to the system



Source: Cogencis

Accrual Funds continue to have lucrative YTM



Source: AceMF

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