

HDFC Bank – Research Presentation

October 2025

Risk profile-based asset allocation

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

Note:	Optimistic	▲
	Cautiously Optimistic	◆
	Cautious	▼

Category-wise view

MF Categories	View	
	Sep-25	Oct-25
Equity Oriented Funds		
Largecap Funds	▲	▲
Large Cap Index Funds	▲	▲
Multicap Funds	◆	◆
Flexicap / ELSS Funds	▲	▲
Large and Mid Cap Funds	▲	▲
Mid cap	◆	◆
Small cap	◆	▼
Value / Contra / Dividend Yield Funds	◆	◆
Focused Funds	▲	▲
Aggressive Hybrid Funds / Dynamic Asset Allocation / Balanced Advantage Funds	▲	▲
Equity Savings Funds	▲	▲
Business Cycle	▲	▲
Sector/Thematic Funds	◆	◆
Multi Asset Allocation Funds	▲	▲

MF Categories	View	
	Sep-25	Oct-25
Debt Oriented Funds		
Short Duration Funds/Medium Duration Funds	▲	▲
Banking & PSU Funds	▲	▲
Corporate Bond Funds	▲	▲
Target Maturity Index Funds	◆	◆
Medium to Long / Long Duration Funds	◆	◆
Dynamic Bond Funds	▲	◆
Gilt Funds	▲	▲
Ultra Short Duration/Low Duration/Money Market Funds	◆	◆
Arbitrage Funds	▲	▲
Liquid/Overnight Funds	◆	◆
Conservative Hybrid Funds	◆	▲
Credit Risk Funds	◆	◆
Income Plus Arbitrage FoF	▲	▲

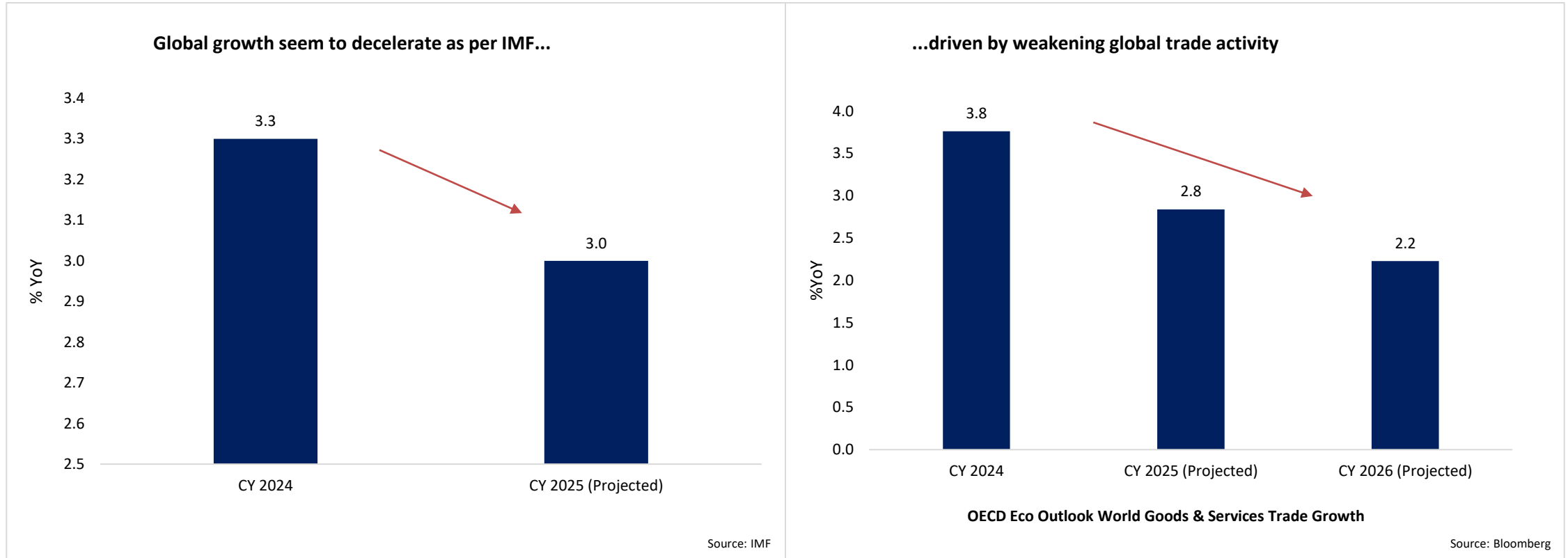
Research Presentation – Content

- Equity MF Strategy – October 2025
- World growth likely decelerating
- US: Economy Slowing down?
- Eurozone: With the tariff issue sorted & ample liquidity, Europe's growth is looking up... Geopolitical issues may take centerstage in near term
- China: Momentum holding up despite tariffs, possibly due to prebuying by US consumer and diversification of destinations by China
- Base commodity prices have seen a gradual uptick on the back of a confluence of monetary policy shift and supply constraints, while oil remains rangebound
- With dollar index weakening, Emerging Markets see strong rally, while India has lagged
- DIIs continue to support markets driven by optimism around GST rate cuts, however FPIs continue to be sellers on the back of global uncertainty and punitive tariffs imposed on India
- Sectoral performance and FPI flows in September 2025
- India Macros: Holding Up
- Urban Economy: GST cuts to boost consumption, formal job creation remains the key
- Rural Economy: Continues to shine
- Capex: Focused on key sectors
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- While FPI remain constant sellers, DII's continue to support the market, with valuations improving the AMCs have also started cutting their cash holdings gradually.
- Market Roundup – September 2025
- Key concerns for Indian equities
- Annexure...
- Sectoral outlook by Fund Managers – Part 1
- Sectoral outlook by Fund Managers – Part 2
- Sectoral Movement
- While sectoral valuations have improved vs. long term averages, earnings growth trajectory has weakened in many cases
- AMC Sectoral Holdings
- US trade tariffs by Country...with punitive tariffs, India's position weak vs. peers
- Fixed Income Outlook – October 2025
- US – Fed blinks as unemployment bites
- EU – Rising Debt pressures can derail macro stability
- After much deliberation, the US Fed finally cut rates to ease employment distress... ECB remains on a dovish pause
- Global disinflation has allowed central banks to cut rates for supporting growth and employment... Japan remains the only exception
- Global Commodities – Prices saw a gradual uptick as easing monetary conditions have given a boost to industrial demand... Higher crude supply may cap any price rise in the near to medium term
- With advance tax outflows, RBI proactively supported system liquidity through VRR auctions
- With announcements of new H1-B Visa rules and non-reversal of punitive tariffs by the US, INR weakened while other external parameters remained stable
- Headline inflation came in marginally higher on the back of base effect... GST rationalisation may drive Core inflation lower going forward, allowing RBI more space for policy easing
- With reduced government borrowing at the extreme long end, the spreads between medium and long end yields have started to come off...
- While Corporate bond spreads have remained reasonably stable at the short to medium end, the SDL spreads have spiked across tenors due to higher supply
- Disclaimer

Equity MF Strategy – October 2025

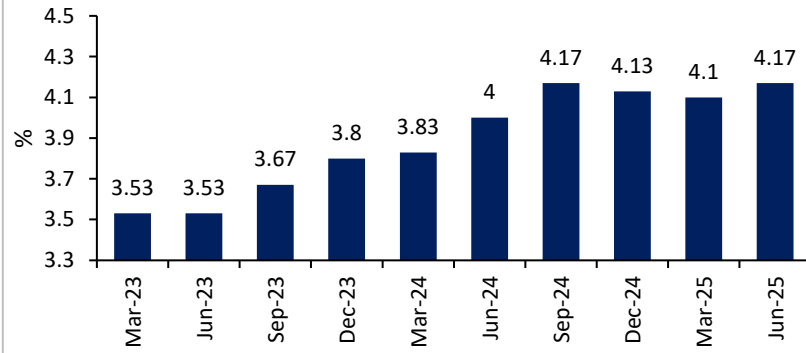
- Global growth is expected to weaken in CY25, as global trade weakens.
- While the US growth has remained resilient, tariff related weakness in consumer spending could start to impact it in the next couple of quarters. Given the gradual weakening of the US labour market, the US Fed has again embarked on a rate cut path. With the Trump administration continuing to announce tariffs on more products and even services, global trade uncertainty remains elevated.
- With inflation under check, European countries have also announced large scale fiscal spending which has benefitted their equity markets. As US is pushing the EU to take a more active role in resolving the Ukraine-Russia war, incremental tensions with Russia remains the biggest overhang on EU in the near-term.
- The Chinese equity markets have seen a strong rally in the recent months driven by reasonable earnings growth, low valuations and emergence of strong tech companies. However, any slowdown in the exports from China might have incremental implication on growth. High leverage in the Chinese private sector companies has elevated the systemic risk, which China seems to be solving by asking companies to cut down unprofitable capacities (Anti-involution).
- Base commodity prices have seen a gradual uptick on the back of a confluence of monetary policy shift and supply constraints. The precious metals upturn continued as the Fed signalled future cuts in policy rates. Oil prices seem to be consolidating with a downward bias despite rising strikes on Russian oil infrastructure, as OPEC countries continue to push higher supplies.
- With the Dollar Index seeing sustained downward pressure, the rally in the equity markets of EMs has sustained, driven by fund flows and cheap valuations. India has been a relative laggard of sorts in the near-term in this regard, as the valuations and earnings growth dynamics need to improve relatively.
- **At a macroeconomic level, strong support by the RBI is likely to translate into improved data points going forward. The RBI has been extremely supportive of growth in terms of policy rate cuts and liquidity support. Market participants expect RBI MPC to cut further as inflation remains benign. Multilateral agencies like Fitch have continue to remain positive on Indian economy and have upgraded their GDP growth estimates.** With higher tariffs from the US set to hit a small part of the Indian exports, the GST reforms is likely to shore up consumer demand. However, the continued uncertainty of tariffs being announced by the US on more items including services has created uncertainty in the equity markets. While the CAD for India remain under check, the currency has seen sharp depreciation due to incremental tariff announcements by the US. Indicators like Banking sector credit growth have also seen a marginal uptick.
- **Rural economy** has seen a reasonable uptick as indicated by rising tractor sales and improving affordability due to lower inflation. Monsoons remain above normal and the spatial distribution too has been good. With better sowing and higher MSP, the rural economy is likely to remain a key pillar of domestic consumption and household capex growth. Though, the floods in some parts of the country may have marginal impact on economic activities in some areas.
- While **Urban demand** has remained mixed, it is likely to see bump up in the festive season given the rationalisation in the GST rates. Media reports are already hinting at a strong pickup in automobile sales. GST cut is likely to add ~Rs 2.3 trillion to disposable incomes. That, along with about Rs 1 trillion benefits on income tax, and the future implementation of the 8th Pay Commission, could drive the urban consumption over the medium-to-long term.
- On the capex side, government spending capacity would be constrained by the fiscal math and the aggregate growth could gradually drop down. Sunrise sectors like Semiconductors, New Energy, Defence and Electronics seem to be the few areas which have seen large private sector spending coming through. However, the issues around tariffs by the US may stymie some exuberance on the China+1 strategy. Fund Managers have gradually reduced their capex related exposures and are looking at companies in the sector on a bottom-up basis. Valuations in this sector continue to remain rich.
- Q2 FY26 earnings are around the corner, and the market participants are not quite optimistic on the earnings growth due to Pre-GST cut spending slowdown. Sectors like Banking, IT, FMCG, infrastructure could see muted performance, while consumer services, auto, metals and domestic driven healthcare may see steady performance. **With valuations remaining rich in Mid and Small caps, earnings disappointment could drive reasonable volatility in these segments.**
- On expected earnings side, with a low base, 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 performance which is likely to also ensure better equity market performance.
- **With rich valuations, incoming US tariff related weakness and continued weakness in urban demand, the Indian equity markets seem to be in consolidation mode. The supply from FPIs and the Primary markets on the back of rich valuations seem to be weighing down on the market performance. The Government on its part has rationalised GST rates to improve domestic consumption, the benefits of which could be visible in near-to-medium term. Market participants also expect further policy rate cuts by the RBI to keep growth buoyant. If further support comes about, or if tariffs get re-negotiated, or we get favourable tariffs with EU (negotiations ongoing) the markets are likely to take that positively. Currently, the markets are getting narrower and opportunities seem to be available in the set of stocks which have been able to deliver incrementally better revenue/earnings growth. Also, with no specific sector showing broad-based and continued momentum, Fund Managers who are able to be fairly nimble and identify growth ideas could generate alpha vs their peers.**
- While FPI's 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, provided the earnings downgrades reverse.
- In terms of deployment strategy, we are cautiously optimistic to maintain our investment deployment strategy of 50% Lumpsum and 50% staggered over the next 5-6 months, as Indian GDP growth still remain amongst the best in the world and any sharp volatility could be used by investors to add to their exposures. Fund managers who can pick out companies with superior growth prospects are likely to outperform vs pure value pickers in the medium-term.
- On allocations in Equity Mutual Fund perspective, investors could look at investing across Largecap, Flexicap, Large and Midcap, Hybrid Equity, Business Cycle funds and using STPs as an instrument to invest in Multicap and Midcap funds; in line with their risk profile and product suitability from a 2-3 years' time horizon.

World growth likely decelerating



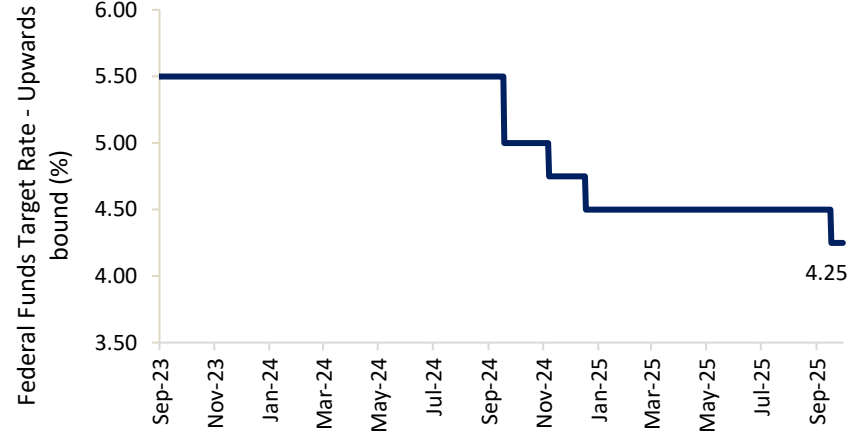
US: Economy Slowing down?

US Unemployment Rate remains elevated...



Source: Bloomberg

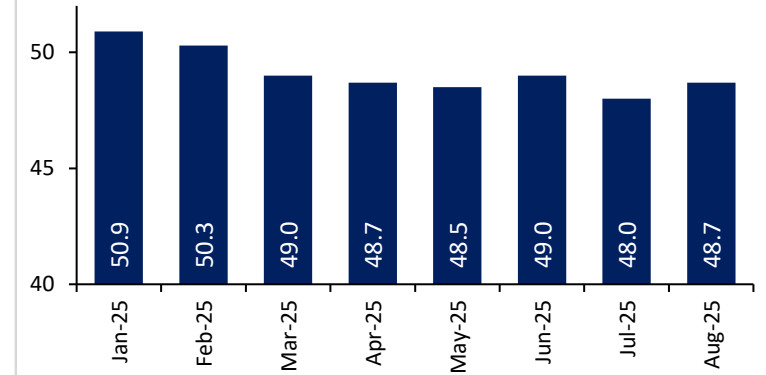
...Driving Fed to cut policy rates



Source: Bloomberg

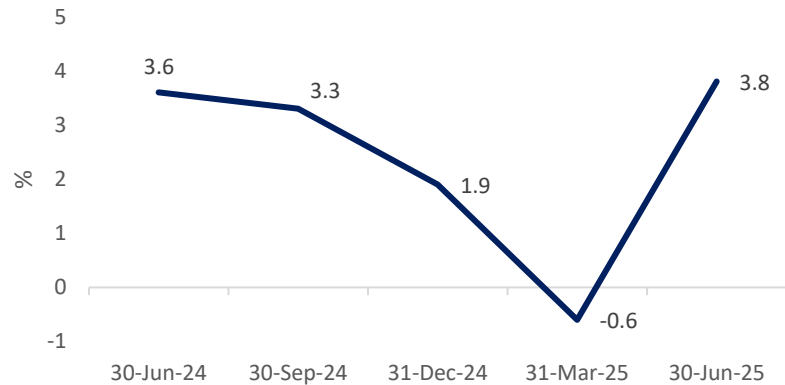
US Manufacturing PMI

Manufacturing PMI continues to struggle



Source: Bloomberg

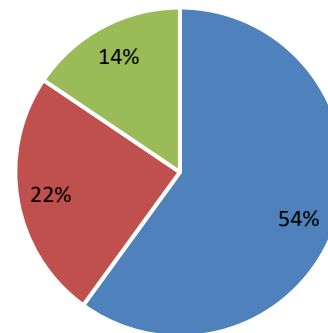
While GDP showed bump up, experts attribute it to pre-buying before higher tariffs kicked in



Source: Bloomberg

With US consumer absorbing high part of tariffs, consumption in US may also drop off

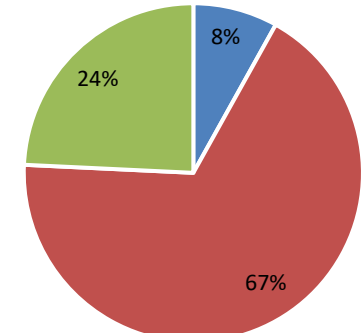
Tariff Cost as of 25th June 2025



■ US Businesses* ■ US Consumers ■ Foreign Exporters

* The Share Of Tariffs Costs Borne By US Businesses Is a Net Amount. Some Businesses Probably Absorbed A Larger Share Of Tariff Costs , While Other Businesses that competed with imported goods likely raised their prices. As Per Latest Available Data.

Tariffs cost by October 2025



Source: Kotak AMC

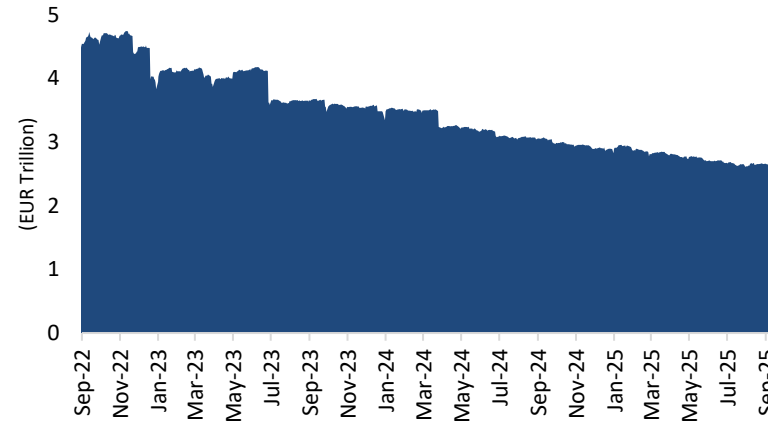
Eurozone: With the tariff issue sorted & ample liquidity, Europe's growth is looking up... Geopolitical issues may take centerstage in near term

US - EU Trade Deal

- The US and EU have reached a deal on trade tariffs which sets a 15% tariff for most exports into the US.
- The White House says tariffs of 50% will remain in place for EU steel, aluminium and copper
- EU Agreed to buy an additional USD 750 bn in US energy products and make investments worth USD 600 bn in "various sectors" in the US by 2029.

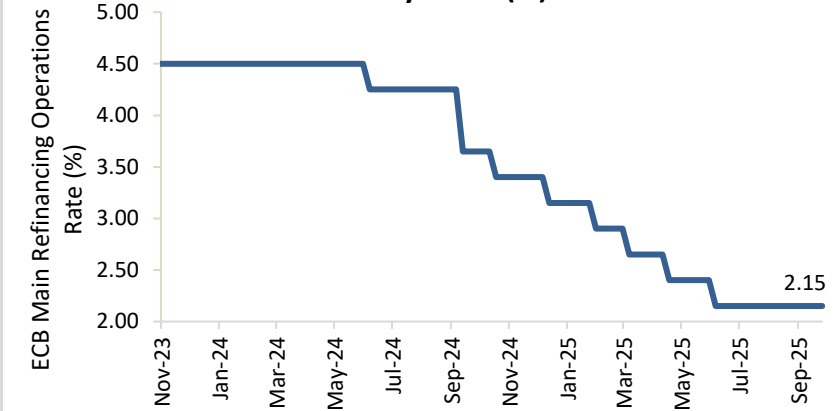
Source: Media Articles

Eurozone liquidity remains in surplus



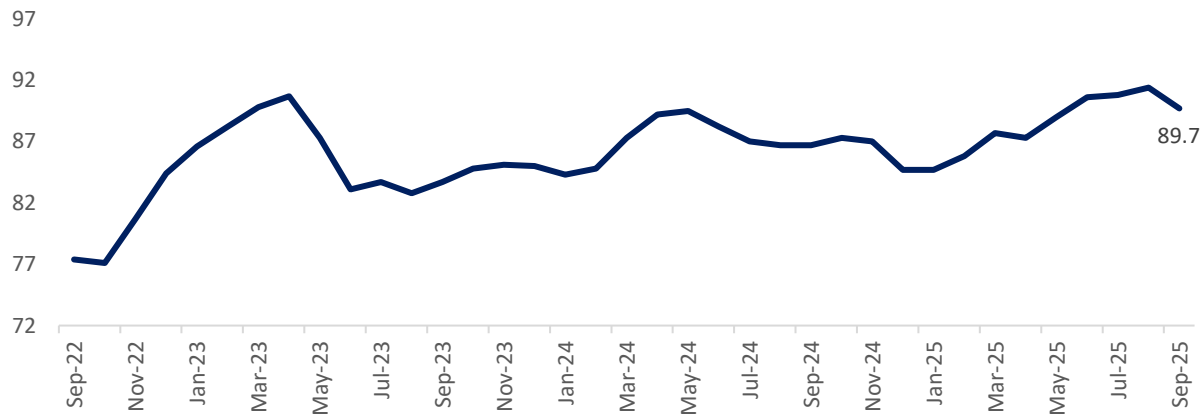
Source: Bloomberg

EU Policy Rates (%)



Source: Bloomberg

IFO Pan Germany Business Expectations Index improving



Source: Bloomberg

With US shifting the onus of solving Russia- Ukraine war to EU, geopolitical risks can rise

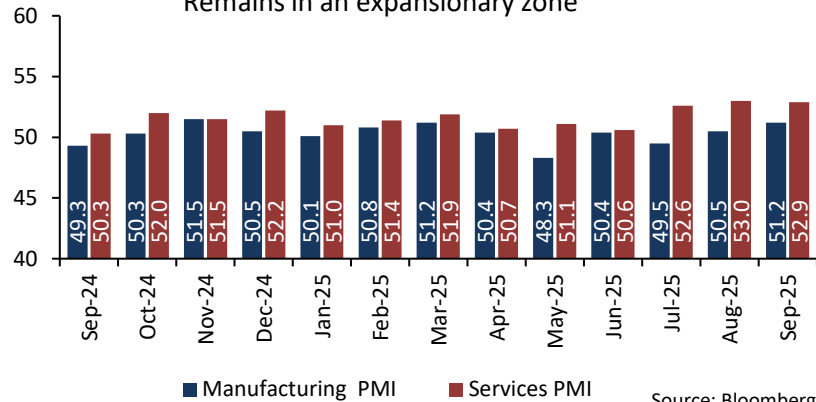
- Trump has insisted that it is not Washington but Brussels and NATO that have to support Kyiv to return its territories.
- Trump is pushing the European Union to apply more economic pressure on Russia
- Mr Trump's Ukraine comments aimed to indicate a change of position and to show "that he is starting to disengage by sending a message that it is Europe's question".

Source: Media Articles

China: Momentum holding up despite tariffs, possibly due to pre-buying by US consumer and diversification of destinations by China

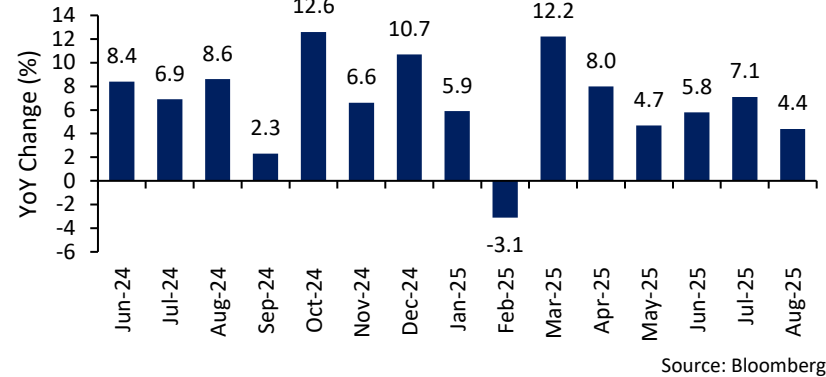
China Manufacturing & Services PMI

Remains in an expansionary zone



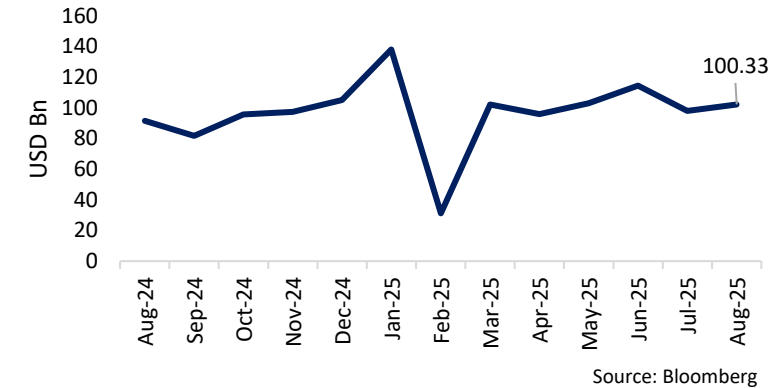
China's Export Growth (In USD Terms)

Exports growth remains strong

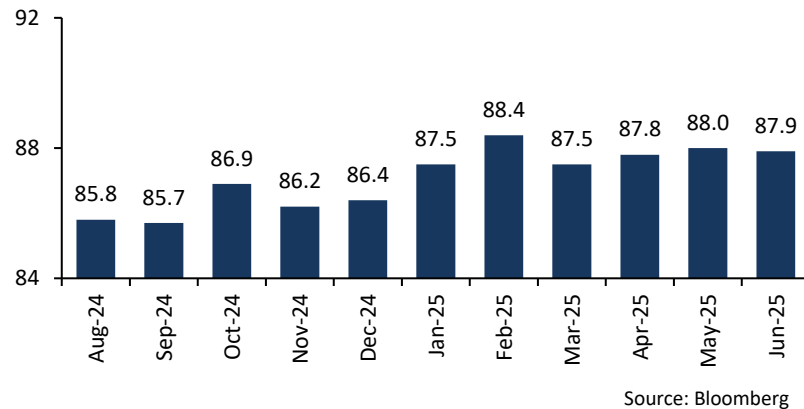


China Trade balance

Remains in surplus driven by exports

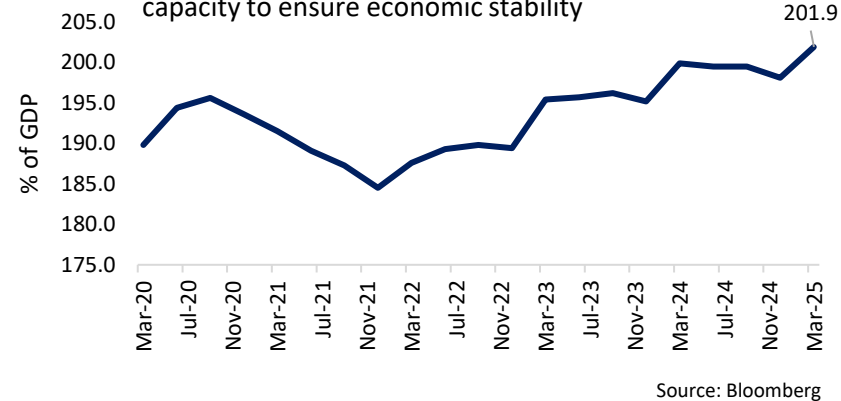


China Consumer Confidence Index continues to remain weak



China Credit to Private Non Financial Sector

Chinese govt. talking about anti involution... cut in capacity to ensure economic stability

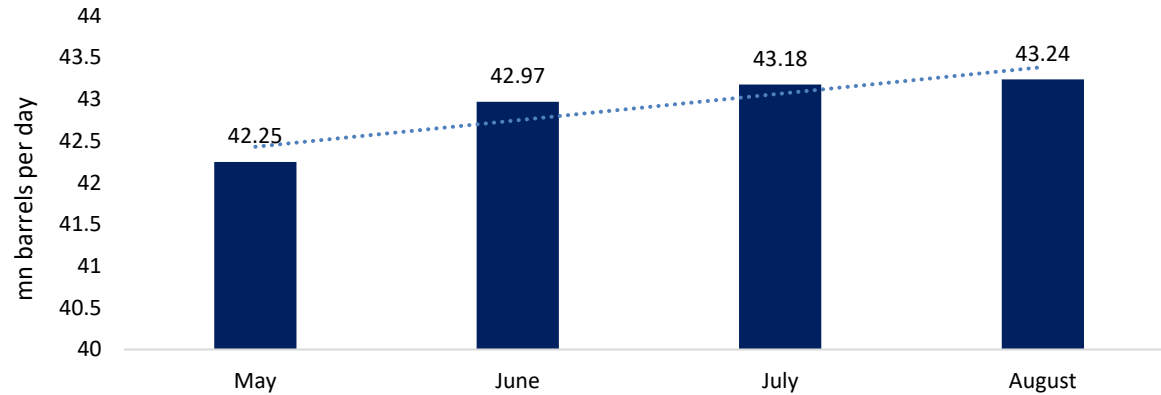


Robust economic momentum and tech breakthrough takes Chinese markets higher



Base commodity prices have seen a gradual uptick on the back of a confluence of monetary policy shift and supply constraints, while oil remains rangebound

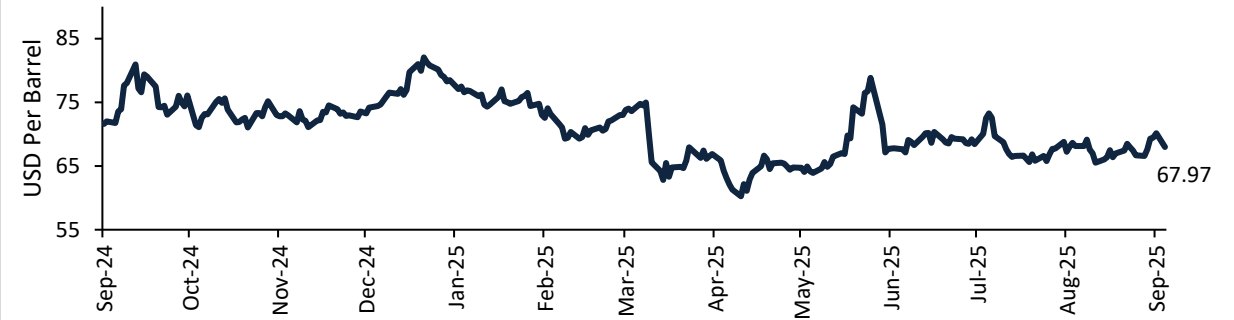
With continue rise in supply, oil prices to remain under check, IEA expects supply to rise



Source: IEA

Brent Crude

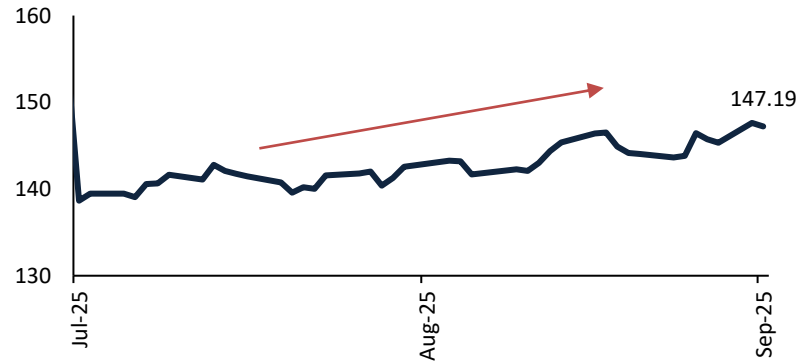
Consolidating, OPEC+ supply remain high, keeping prices in check



Source: Bloomberg

Bloomberg Industrial Metals Index

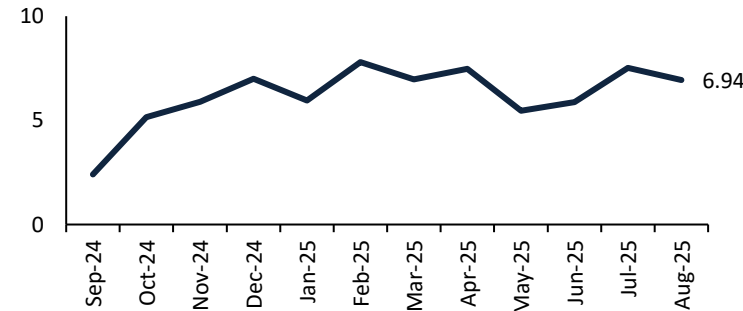
Metals prices showing uptick



Source: Bloomberg

UN Food & Agriculture World Food Price Index

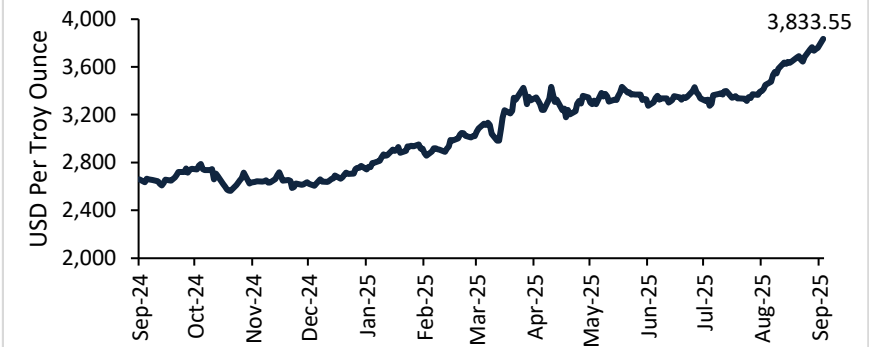
A weak base continues to ensure food prices look higher on a YoY basis



Source: Bloomberg

Gold Price

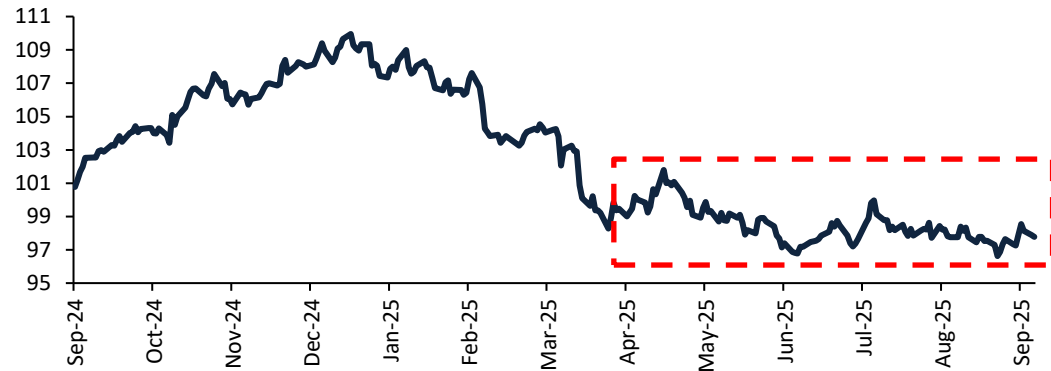
Gold continues to rally on the back of central bank buying



Source: Bloomberg

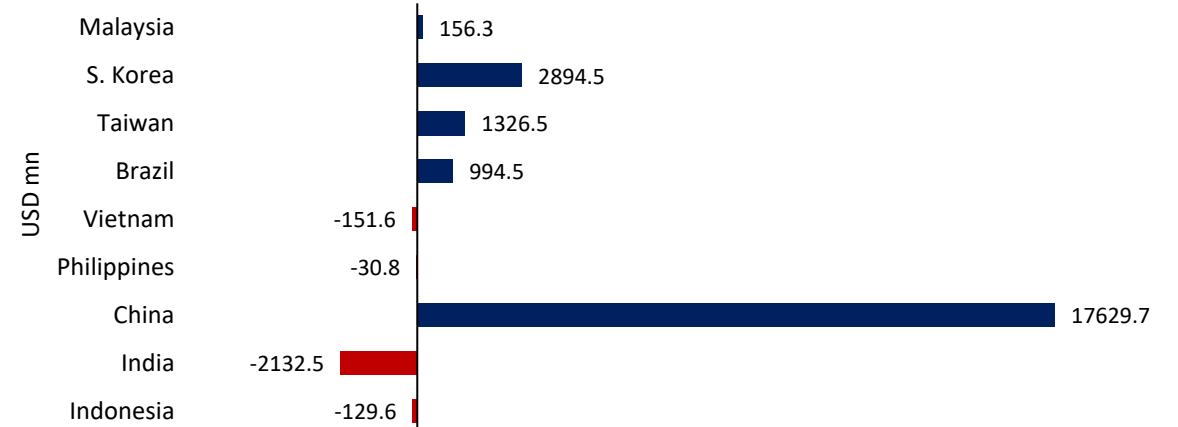
With Dollar index weakening, Emerging Markets see strong rally, while India has lagged

US Dollar Index



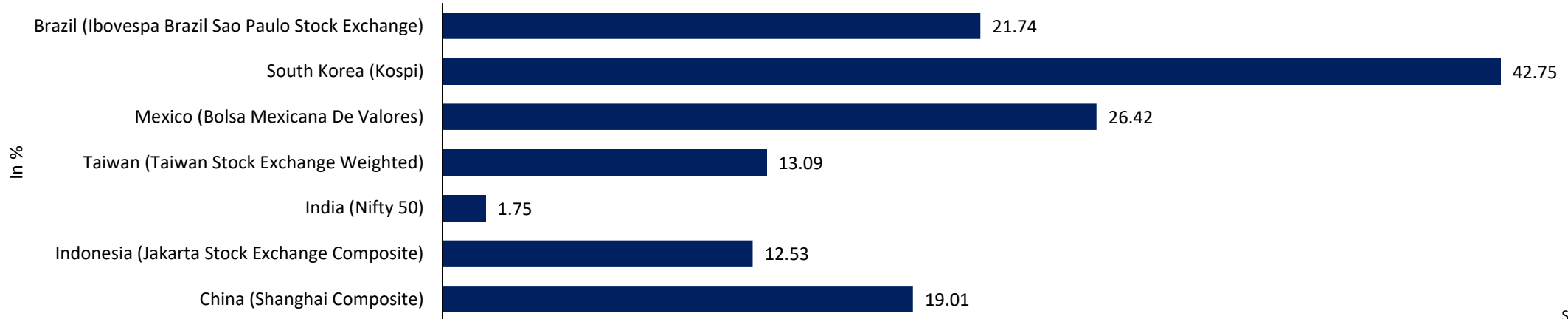
Source: Bloomberg

Emerging Markets - Net Flows In September 2025



Source: Bloomberg

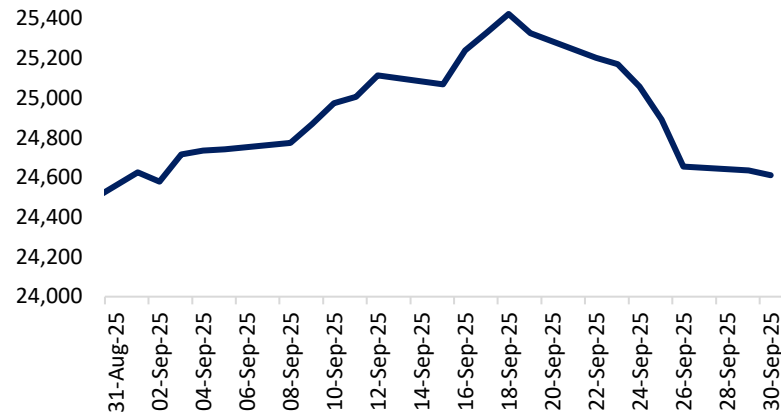
Emerging Markets – CYTD Returns of major equity indices



Source: Bloomberg

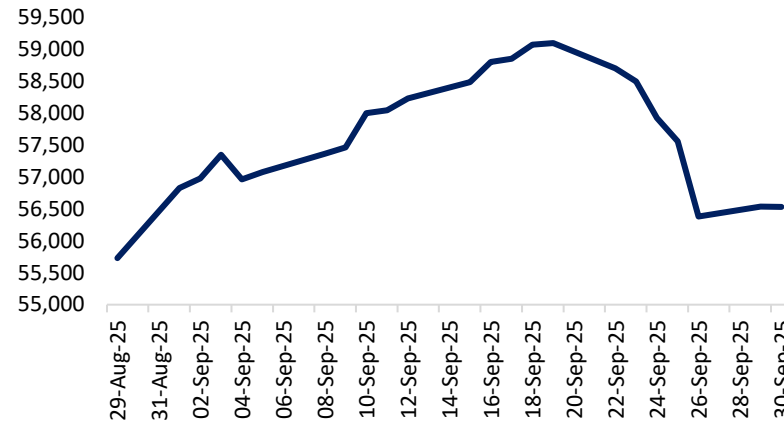
DIs continue to support markets driven by optimism around GST rate cuts, however FPIs continue to be sellers on the back of global uncertainty and punitive tariffs imposed on India

Nifty 50 Index Movement



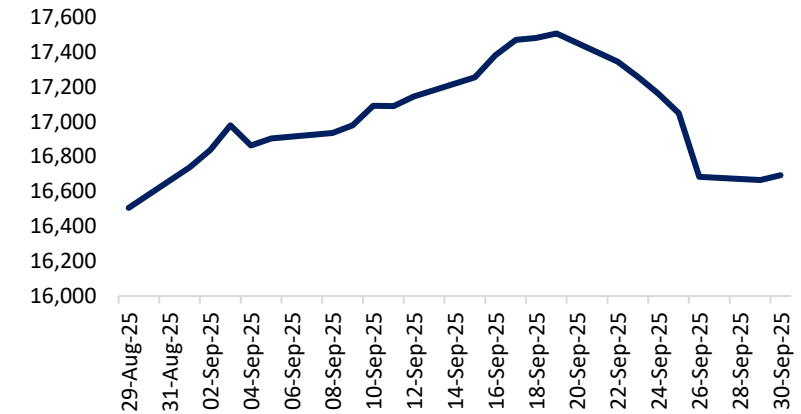
Source: Bloomberg

Nifty Midcap 100 Index Movement



Source: Bloomberg

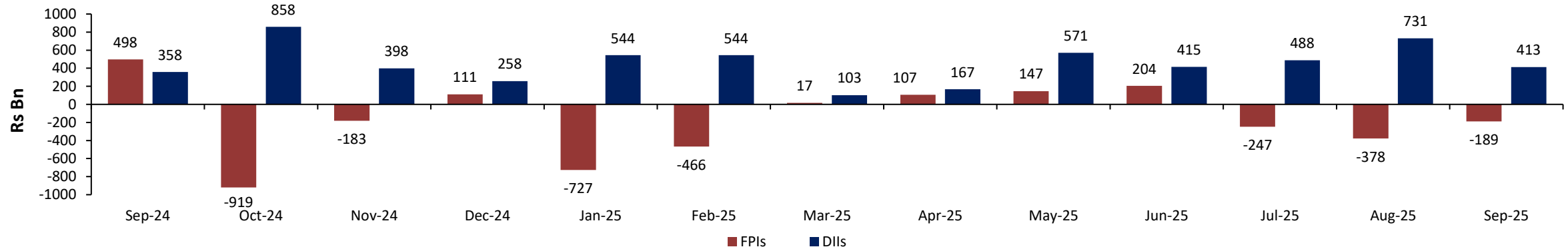
Nifty Smallcap 250 Index Movement



Source: Bloomberg

Net Flows In Equities (Rs Bn)

FPIs were net sellers and DIIs were net buyers in the month of September

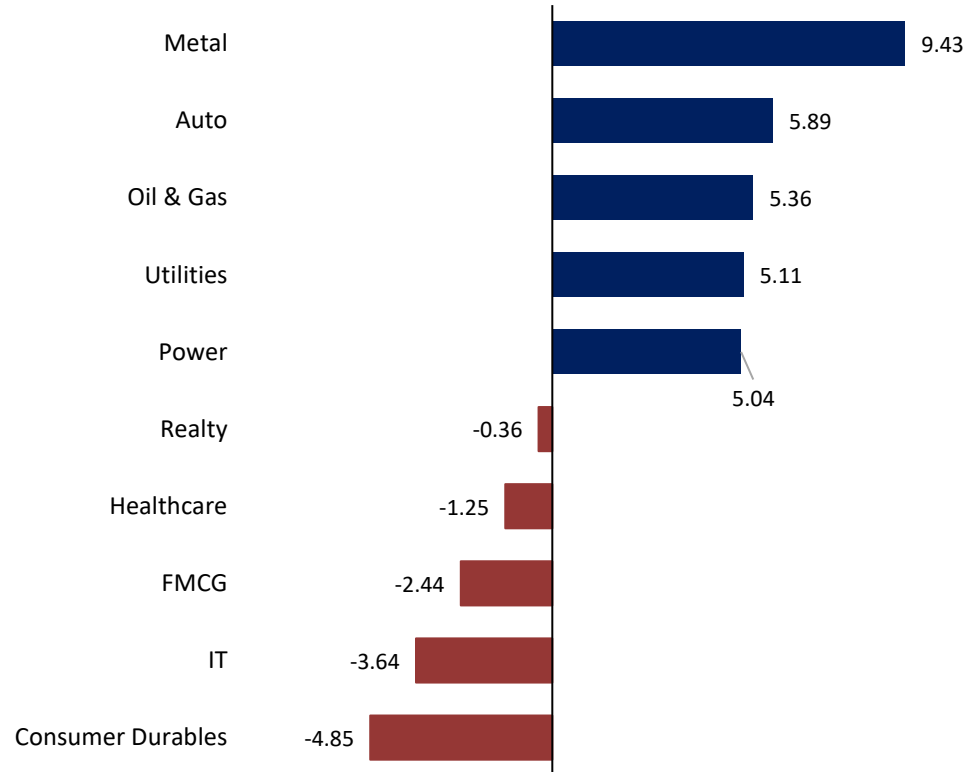


*For 2025, FPI and DII data is up to 30th and 26th September.

Source: SEBI, CDSL

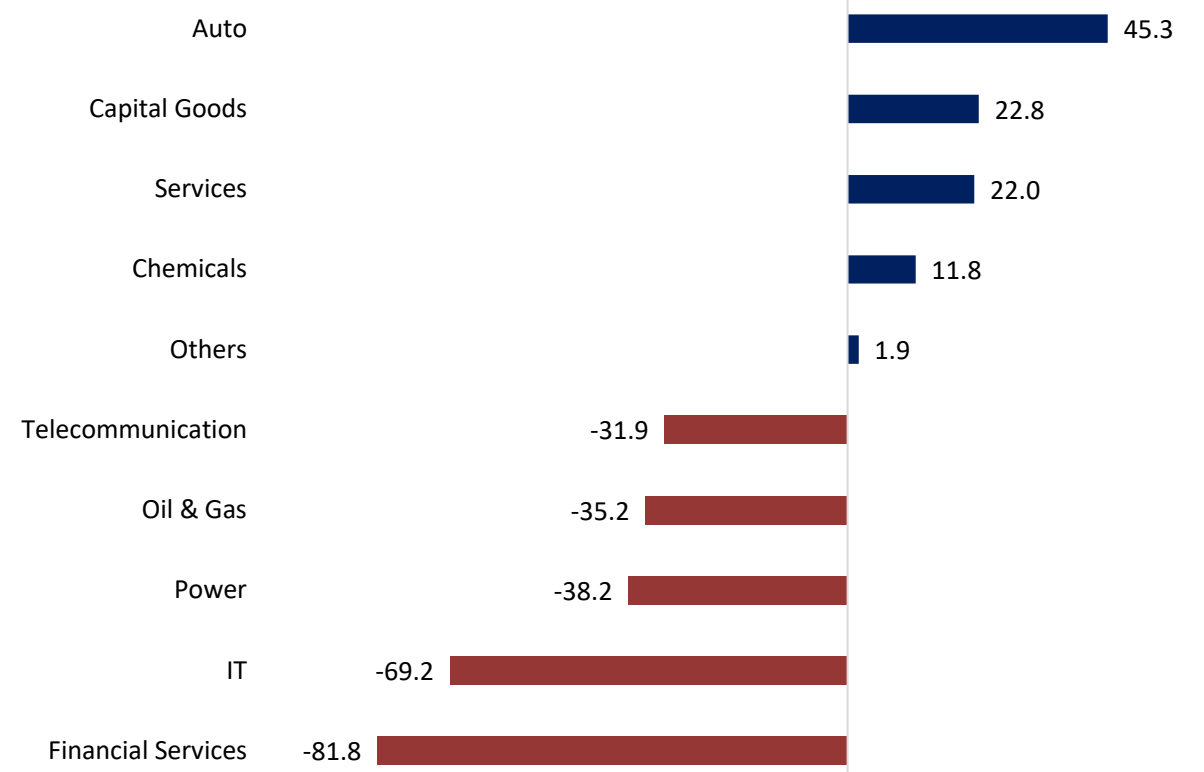
Sectoral performance and FPI flows in September 2025

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



Source: Ace MF

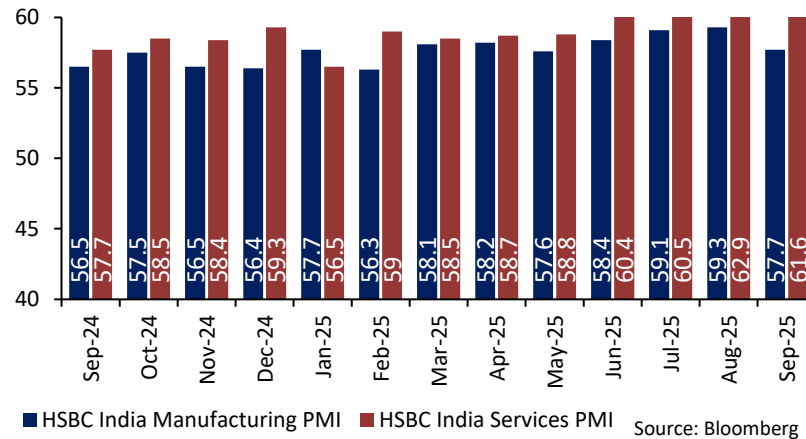
Sectoral FPI flows - Top 5 and Bottom 5 (Rs in Bn)
Data is from Aug 16, 2025 till Sep 15, 2025



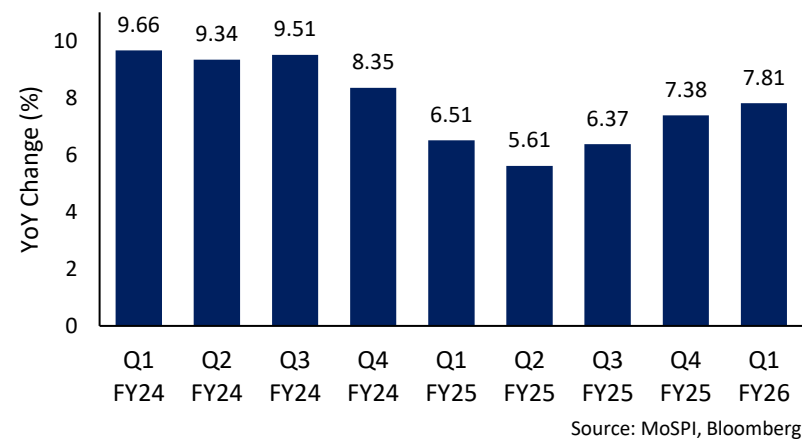
Source: NSDL

India Macros: Holding Up

PMI continues to remain strong

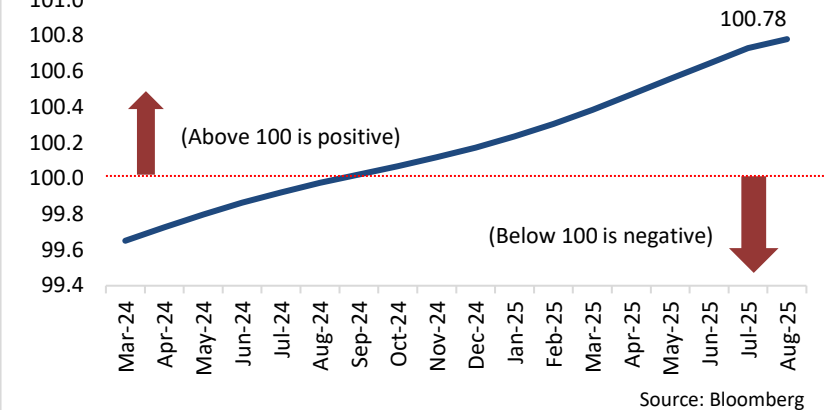


Real GDP Growth showing strength...



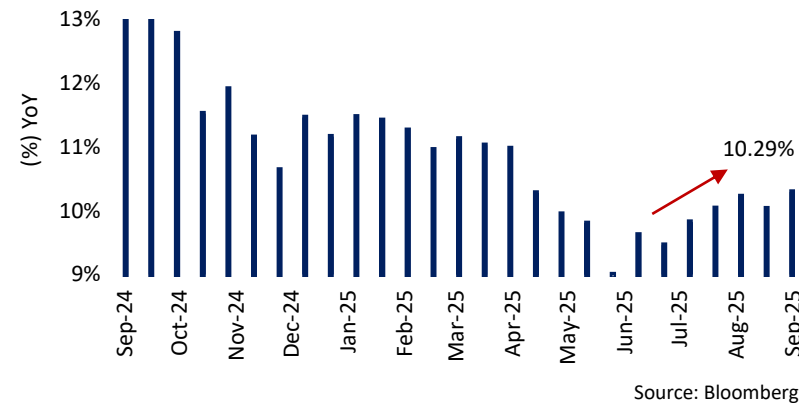
India OECD Leading Indicators

Leading indicators continue to show strength



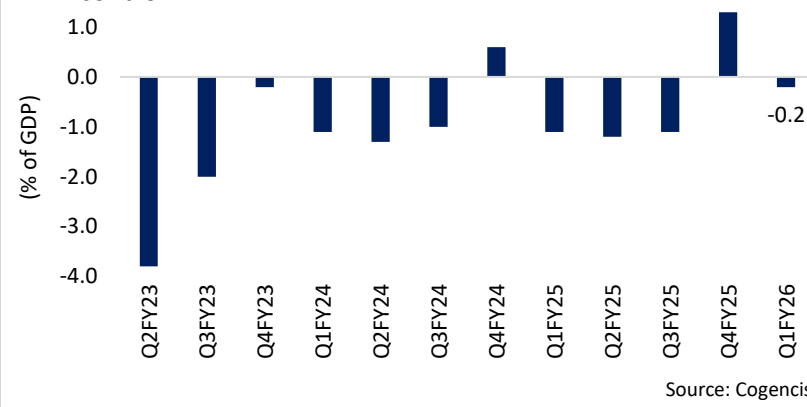
Total Commercial Credit Growth

Though weak, picking up...



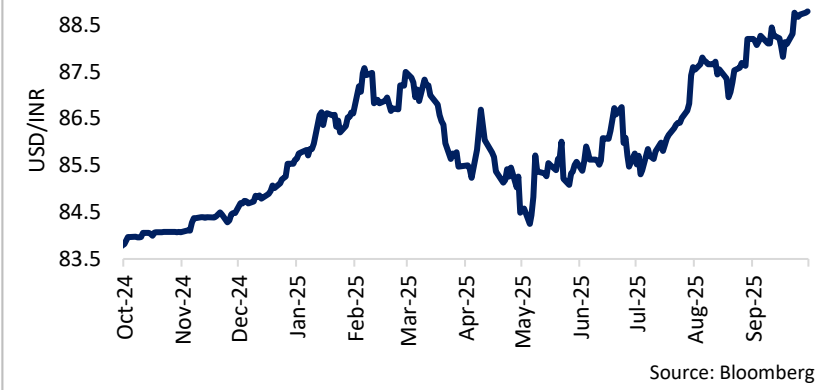
India's Current Account Balance

Current Account Balance also seems to be reasonably under control...



USD/INR

...however, with new H1B tariff proposed, USD/INR weakened to all time lows



Urban Economy: GST cuts to boost consumption, formal job creation remains the key

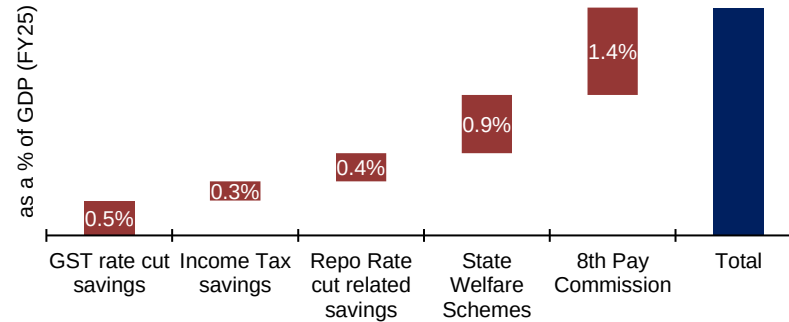
Slew of fiscal measures by Government to drive consumption demand.

- Next-gen GST reforms to give Rs 2 trillion in hands of consumers
- Income Tax rate cuts to give Rs 1 trillion more as disposable income
- This substantial stimulus of total Rs 3 trillion is close to 0.8% of GDP
- It may lead to support consumption as a theme

Source: Media Reports

Fiscal Policy Stimulus for Consumption

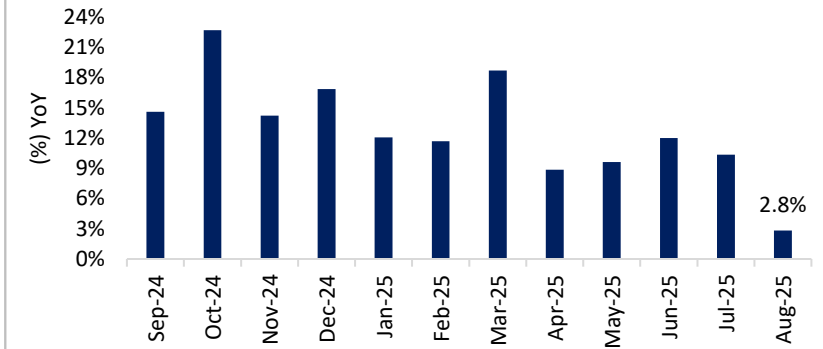
More disposable income in the hands of households can lead to support consumption as a theme



Source: HDFC AMC

India Service Exports

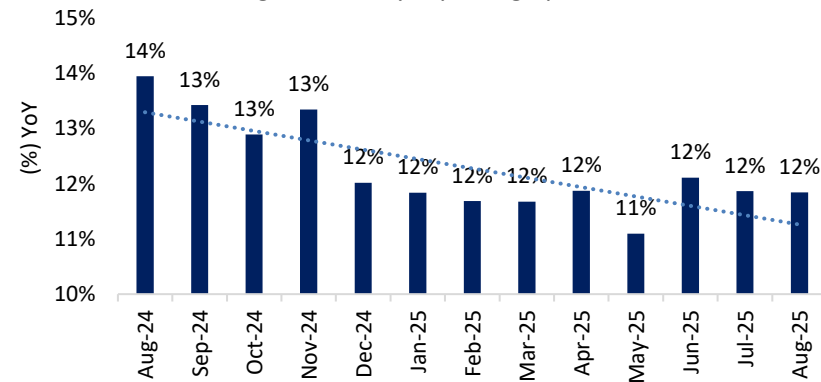
Strong service exports drive incomes in urban centres, H1B visa fee hike may not have severe near term implications



Source: Bloomberg

Banking Sector Personal Loan Growth

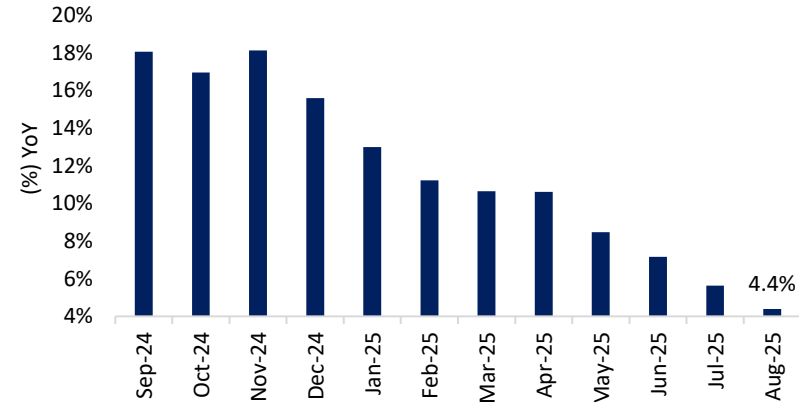
Personal loans growth not yet picking up



Source: Bloomberg

Credit Card Outstanding

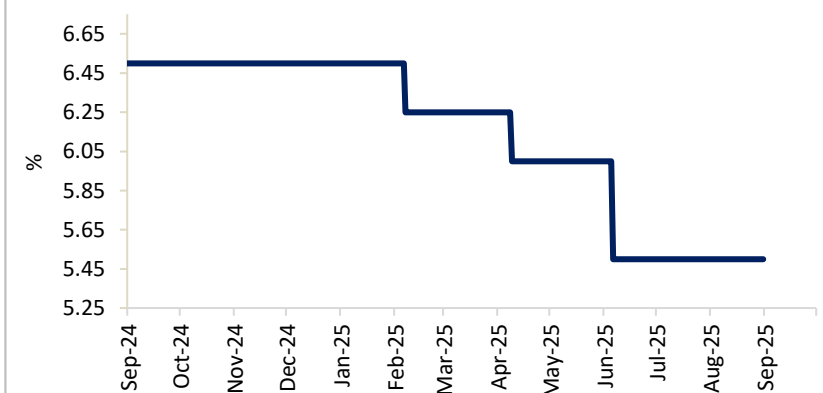
Disbursement in Credit Cards decelerating



Source: Bloomberg

RBI's Repo Rates (%)

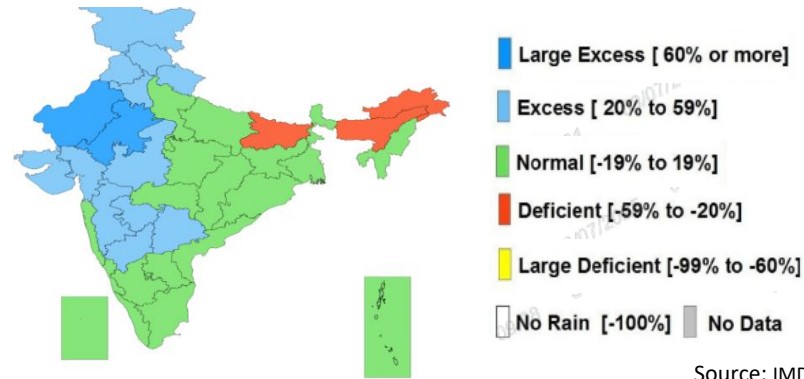
Policy support by RBI to aid consumption



Source: Bloomberg

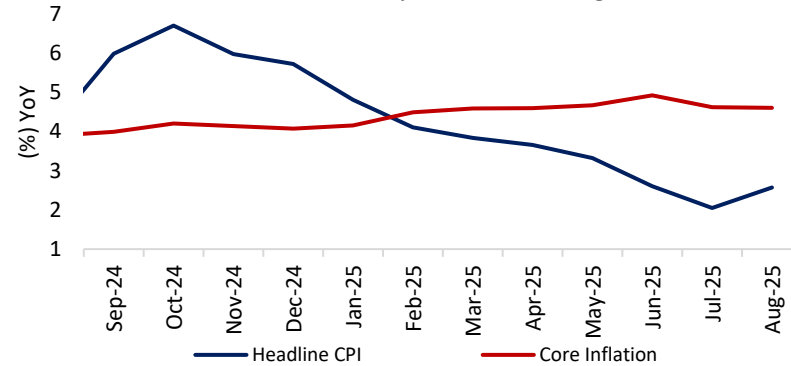
Rural Economy: Continues to shine

Apart from good monsoon, impact of floods in various parts of the country yet to be assessed which may have a marginal dampening impact



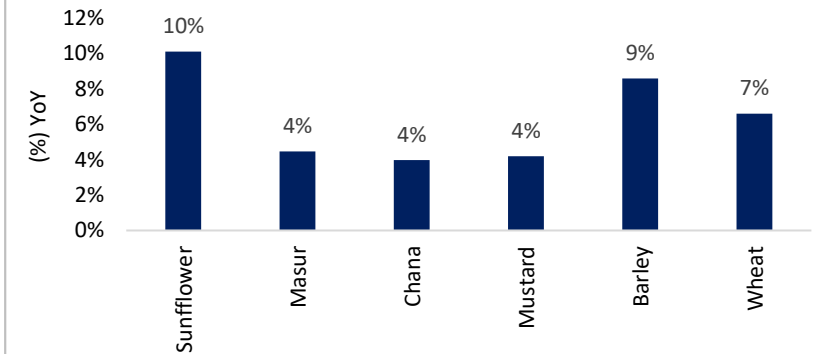
CPI Inflation (% YoY)

Inflation remains comfortably under RBI's target band



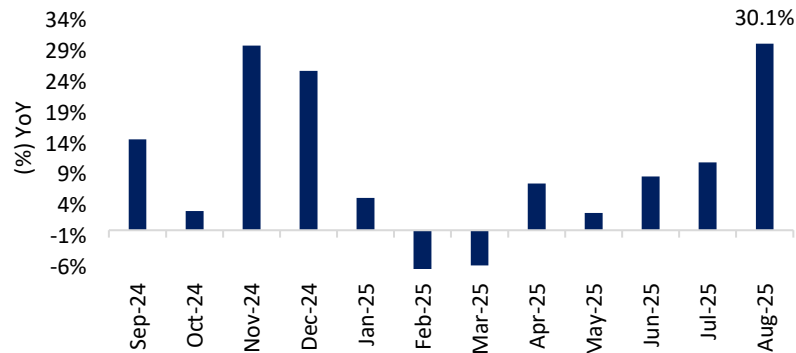
Rabi Crops' MSP also raised

Higher pricing will lead to more disposable income for rural households



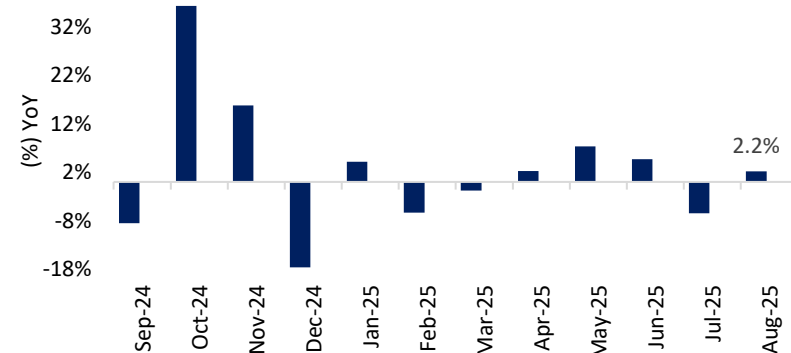
India Tractor Sales

Tractor sales growth remains robust



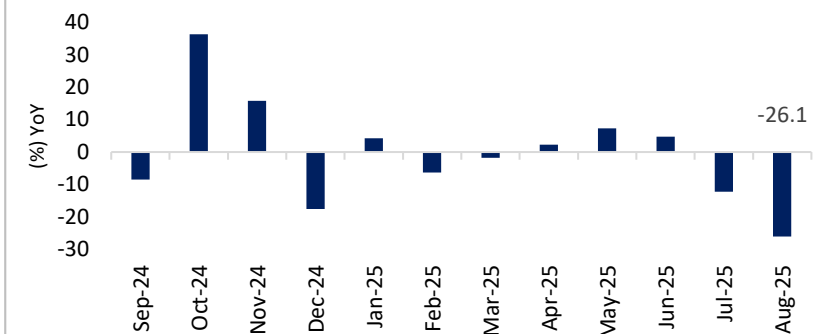
Two-Wheeler Sales

Two-wheeler sales trend remains mixed.



MGNREGA Work Demand

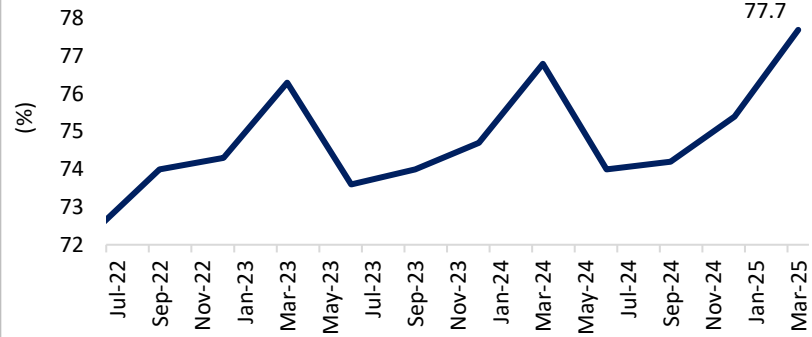
Declining work demand suggesting availability of better alternate employment avenues



Capex: Focused on key sectors

India Manufacturing Sector Capacity Utilization

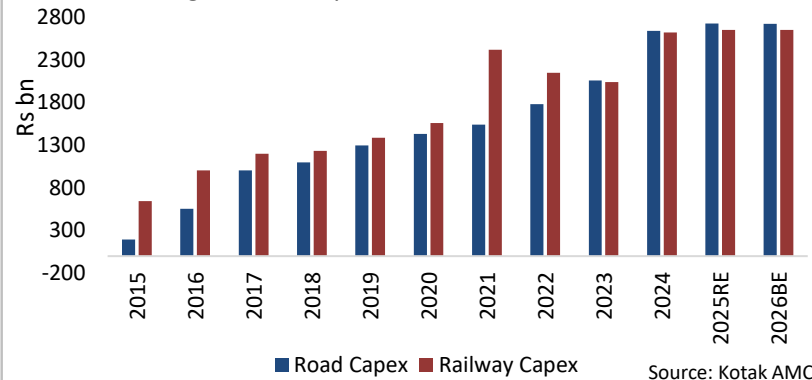
Manufacturers reported higher growth in new orders



Source: Bloomberg

Road & Railway Capex

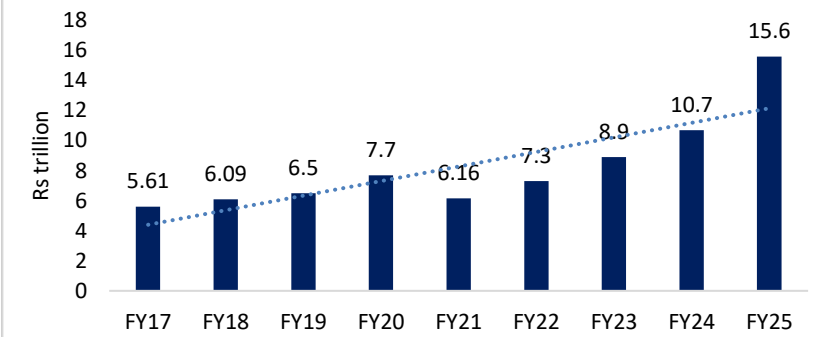
...though large sectors like road and railways have seen muted growth in capital allocation



Source: Kotak AMC

Capex by listed companies showing strength

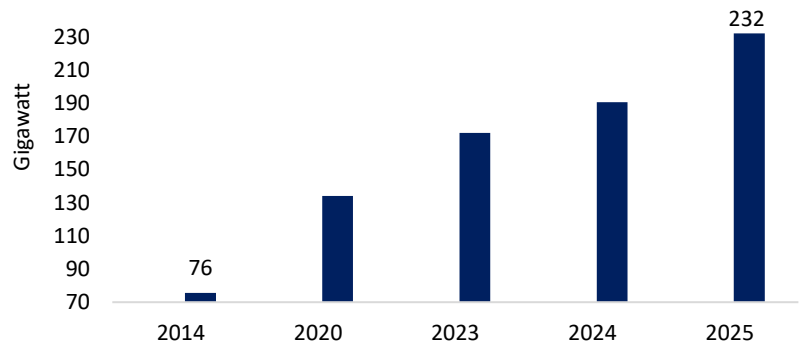
Private sector capex seems to be picking up



Source: Capitaline Database

Renewable Energy Installed Capacity

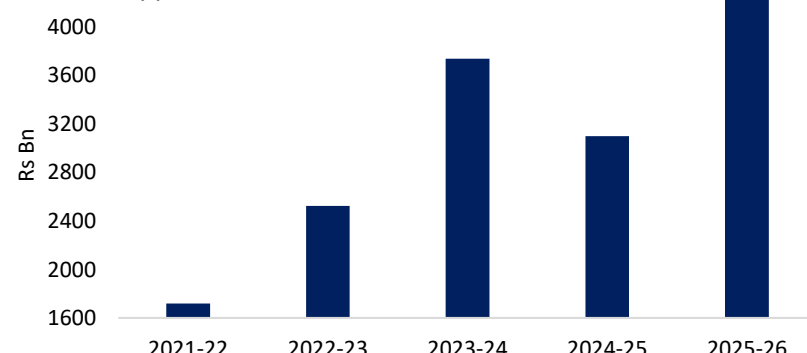
Big ticket capex is happening in the renewable energy space with a three-fold increase observed over the decade.



Source: Ministry of New & Renewable Energy

Central Government Capital Expenditure

Government push remains strong, incremental support could decelerate.

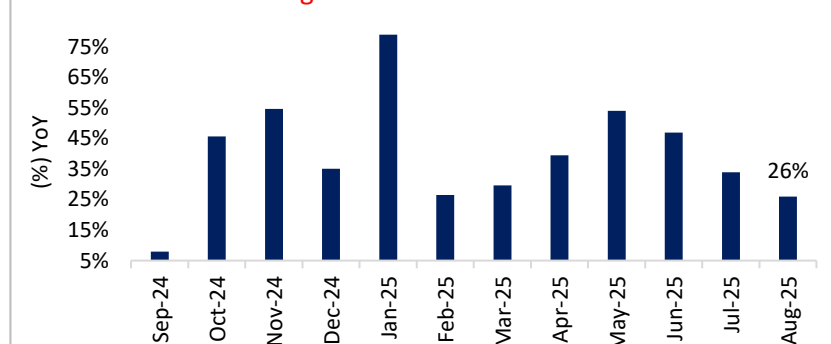


(Data is up to the month of August in each financial year)

Source: CGA

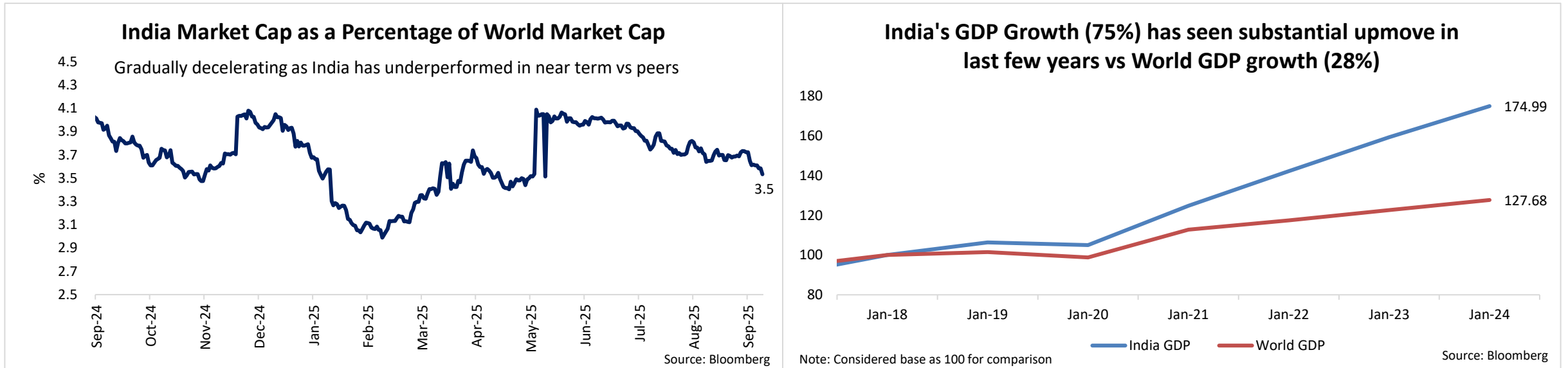
India's Exports Electronic Goods

With 50% tariffs, electronic exports could get impacted, markets awaiting trade deal



Source: Bloomberg

India : Valuations on path of normalisation vs peers



While Large cap valuations look relatively attractive on a P/E basis, on a PEG basis, Mid and Small caps seem to be reasonable. Given the High P/E earnings disappointments in mid and small cap segments could see sharp derating for stocks.

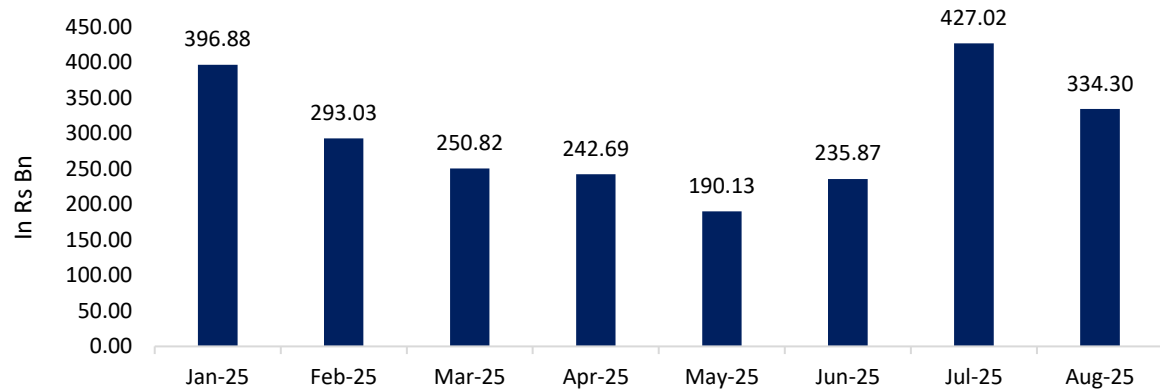
Index	P/E FY27 (Est.)	P/E FY28 (Est.)	EPS FY27 (Est.)	EPS FY28 (Est.)	PEG FY27 (Est.)
Nifty 50	19.36	17.13	1283	1450	1.14
Nifty Midcap 100	25.17	21.59	2265	2642	0.87
Nifty Smallcap 250	25.40	21.48	699	827	0.98

Note: Data taken as on 30 September 2025

Source: Bloomberg

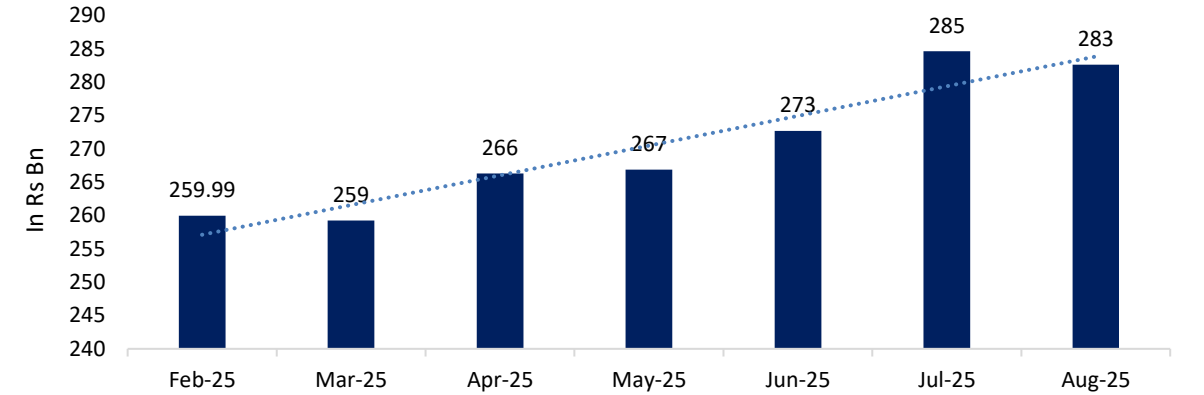
While FPI remain constant sellers, DII's continue to support the market, with valuations improving the AMC's have also started cutting their cash holdings gradually.

Flows into Pure Equity Oriented Mutual Funds



Source: Bloomberg

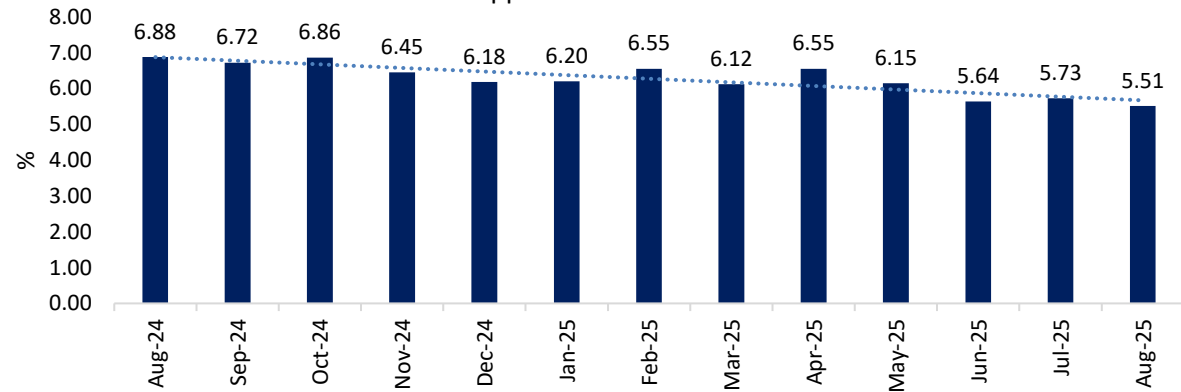
SIP contribution remains strong



Source: Bloomberg

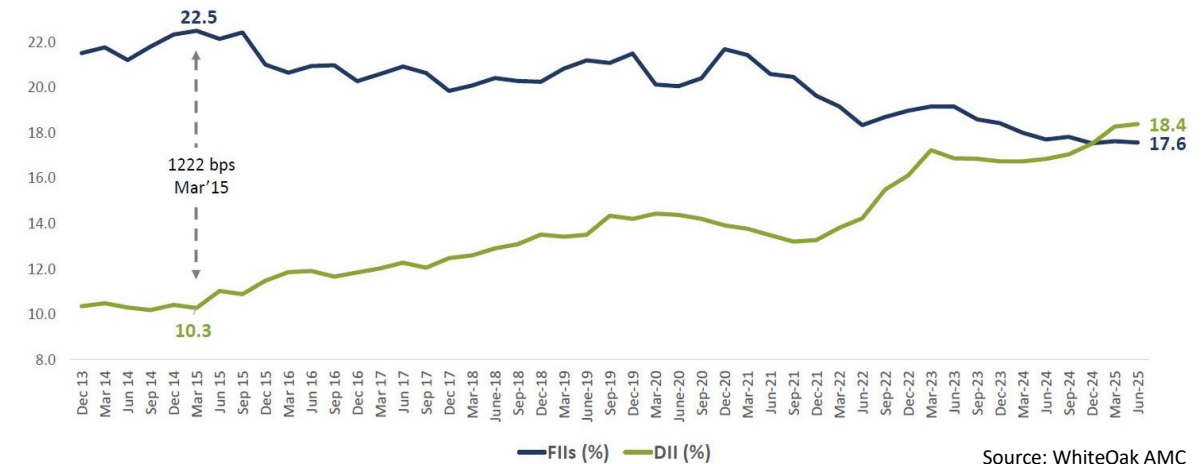
Mutual Funds Aggregate Cash Value

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



Source: Bloomberg

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

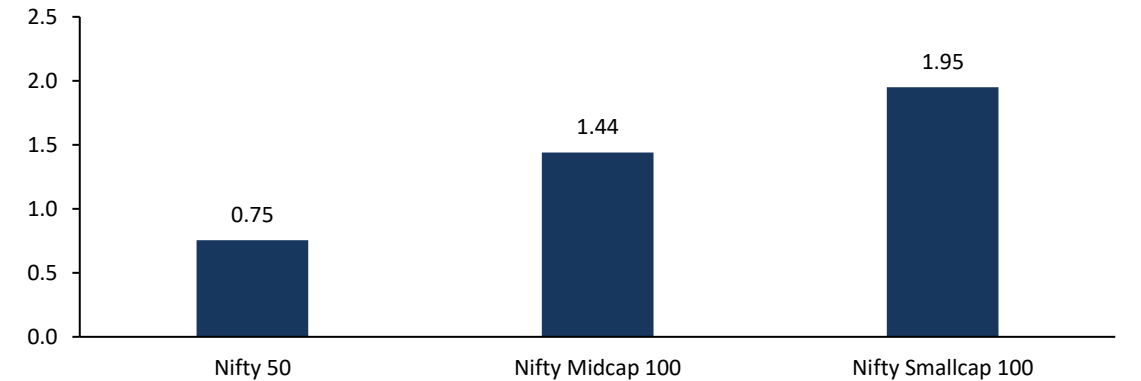


Source: WhiteOak AMC

Market Roundup – September 2025

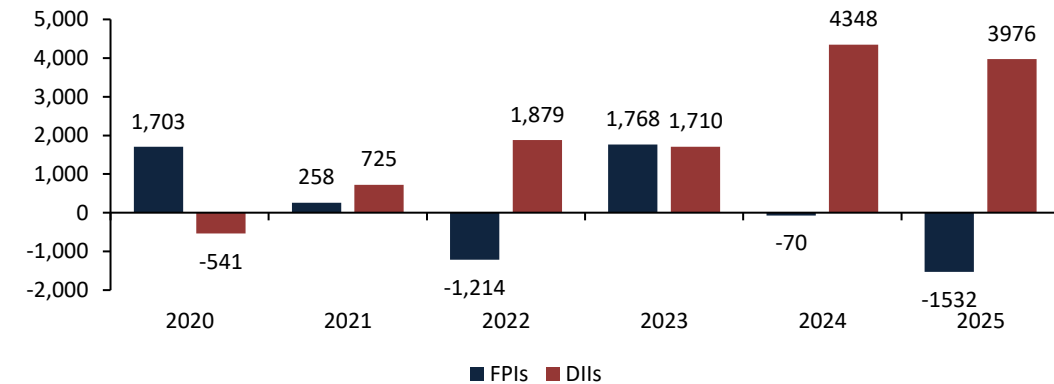
- Indian equities ended the month on a positive note. Large cap-oriented BSE Sensex ended higher by 0.6% (MoM) and Nifty 50 ended higher by 0.8% (MoM).
- While the BSE Midcap index ended higher by 0.61%(MoM) and BSE Small cap index ended higher by 1.45% (MoM).
- In terms of BSE sectoral indices, the sectors ended on a mixed note. Metal, Auto and Oil & Gas were the outperformers during the month.
- Domestic equity markets ended the month on a positive note driven by optimism around GST rate cuts, easing trade frictions with the US and sentiment turned positive after the US Fed delivered its first rate cut of the year, citing recent sluggishness in the labor market.

Absolute Return In September 2025 (%)



Source: Bloomberg

Net Flows In Equities (Rs Bn)



*For 2025, FPI and DII data is up to 30th and 26th September.

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 • With weak credit and deposit growth and NIMs under pressure, the Banking sector could consolidate in the near-term. As the credit growth picks up, the stocks could again outperform. • Selective buying in Private sector and PSU banks is likely, mostly as defensive bets, given valuation comfort. • Capital markets plays are expected to see some valuation correction. • Insurance companies have also found favour with the fund managers, though, incrementally the funds may be trimming weights.
IT	View –Neutral to Negative • The visa issue with the US is a sentimental negative for the sector. • Hiring in IT has not picked up meaningfully and there have been news of some attrition at mid levels. • While the valuations of Largecap IT stocks are looking reasonable, the growth quotient is missing. This is ensuring that Fund Managers remain underweight. • Midcap IT companies are looking richly valued and the growth fund managers continue to remain bullish on key names .
Pharma and Healthcare	View – Neutral • Domestic demand is holding up well, Fund Managers seem to be preferring domestic plays. • US generic plays are likely to see underperformance due to higher valuations and no incremental growth surprises. Tariff announcements could be a risk. Anti-obesity players in India could see some interest from investors. • Fund Managers are looking at very stock specific opportunities, majorly in the domestic pharma space. FY26 is expected to be weak for exporters. • Funds are adding weights and have exposure to plays like hospitals and diagnostics.
Auto	View –Positive • The GST cuts are likely to drive demand for the passenger car and two-wheeler segments in the medium-term. • Given the comforting valuations in the PV segment, Fund Managers have taken overweight positions in select large names. • Higher than expected tariffs on Indian exports to the US is likely to be negative for some auto ancillaries. • Strong liquidity support by RBI and falling interest rates are likely to be positive for consumption demand for Autos.

Sectoral outlook by Fund Managers – Part 2

Sector	Particulars
Construction & Real Estate	View – Neutral to Positive - Housing segment is seeing a gradual bounce back in the upper-end of the segment. - The Government's focus is on infrastructure and investment cycle and has seen strong spending recently. This spending growth rate may gradually taper off in the next few quarters due to strong base in the last quarter of FY25. Recent correction in this segment seems to be giving buying opportunities in few stocks. - Fund Managers prefer investing in this space through proxy sectors such as Cement and Home improvement plays.
Consumption	View – Consumer Services – Neutral to Positive, Consumer Durables and FMCG- Neutral to Positive - Staples – Alcohol companies have seen traction. Expectation of GST rate cuts are also driving Fund Managers to add more weights in daily use FMCG product companies, except tobacco. - Hotels/Travel – Valuations are rich, no incremental weights being added. Fund Managers are not looking to cut current exposure. - Consumer Durables – Fund Managers are looking at players who are gaining market share and adding exposure including to select EMS plays. - Retail and Consumer Tech: Retail valuations are high, focus is on Value Apparel Retailers, growth trajectory expected to decelerate. Earnings have disappointed in the QSR space and Fund Managers are not too keen to add exposure. Consumer Tech companies are seeing strong overweights. Long-term positives - Higher disposable income due to tax cuts. - Premiumization across categories. - Implementation of GST Cuts and upcoming 8th Pay Commission.
Capital Goods, Industrials, Utilities	View –Negative - With the Government spending growth likely to get more sharpened to fewer sectors, aggregate capital investment growth may take a near term backseat. - US tariffs have also been a dampener for the capital goods exporters. Fund Managers feel that valuations in the sector too seem to be at cyclical peak. - Fund Managers may look at incremental opportunities in this segment, where earnings visibility remains strong. - Power Transmission, Nuclear Energy and Electronics (import substitution) continues to be the positive themes for capex.
Metals	View – Positive Metals remain a tactical play. China Anti-involution to support.

Sectoral Movement

Absolute Monthly Return By Sector (%)

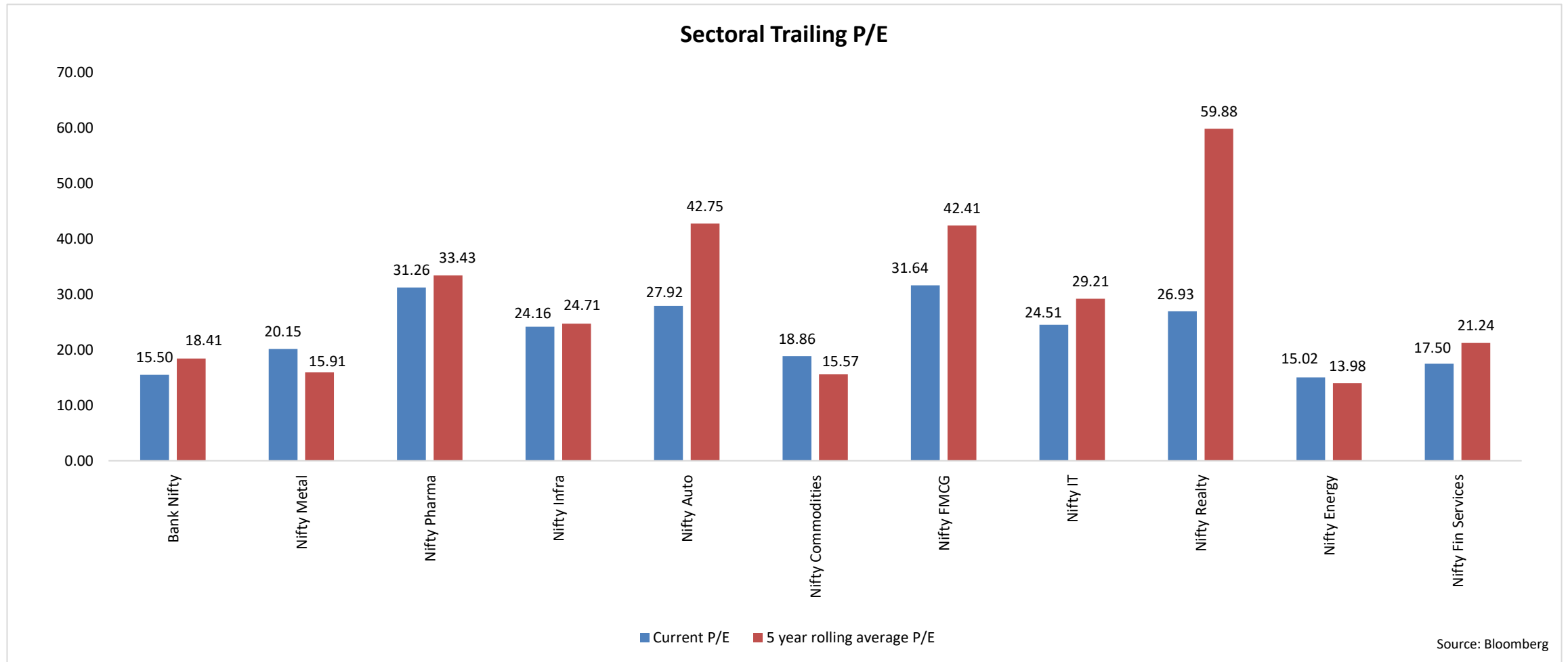
Index	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
BSE 500	2.05	-6.51	-0.03	-1.50	-3.49	-7.85	7.29	3.16	3.39	3.43	-2.87	-1.93	1.21
Auto	3.40	-12.30	-1.20	-2.33	-0.26	-11.00	4.02	4.73	4.73	2.24	-1.11	5.78	5.89
Bankex	2.96	-2.29	1.08	-2.62	-2.57	-2.50	8.55	5.17	0.85	1.62	-3.24	-3.34	2.48
Basic Material	5.69	-6.66	-1.90	-3.13	-1.39	-7.22	10.70	-0.62	4.22	5.43	-1.38	-2.36	2.45
Capital Goods	-0.09	-5.47	2.31	-4.13	-4.79	-14.39	13.55	0.09	13.24	1.75	-5.66	-4.13	4.39
Consumer Discretionary	4.01	-10.07	0.23	0.00	-7.01	-10.36	4.40	3.98	4.32	3.49	-1.47	2.52	0.96
Consumer Durables	6.40	-10.35	2.99	3.15	-10.22	-8.45	2.67	5.65	0.86	3.17	-0.52	1.96	-4.85
Energy	-2.91	-12.59	-3.31	-3.96	-0.67	-9.09	9.46	5.02	1.95	3.09	-4.70	-3.87	4.22
FMCG	3.32	-8.93	-2.08	-2.08	-1.04	-10.57	5.79	5.17	-0.71	-0.33	1.61	0.21	-2.44
Finance	3.03	-3.31	0.53	-1.67	-2.90	-3.02	7.97	4.61	3.08	3.43	-2.66	-3.82	2.34
Healthcare	2.45	-0.72	-0.57	3.69	-7.67	-8.59	8.40	1.91	0.93	3.88	2.51	-3.86	-1.25
IT	-2.57	-4.58	5.83	0.95	-2.85	-12.58	-1.52	-2.97	5.26	3.33	-8.69	-1.07	-3.64
Infra	-3.19	-8.72	-2.57	-3.54	-3.88	-13.81	12.36	0.70	5.03	2.72	-3.81	-4.75	4.44
Metal	6.63	-9.62	-2.38	-5.39	-1.12	-1.98	10.07	-5.76	5.89	3.04	-2.56	-1.61	9.43
Oil & Gas	-3.47	-13.75	-2.35	-2.79	-2.44	-11.23	11.34	5.40	2.03	3.10	-3.84	-4.69	5.36
Power	5.11	-9.51	-4.34	-7.00	-5.92	-12.06	14.32	0.90	2.37	1.95	-3.45	-4.56	5.04
Realty	4.36	-9.12	1.93	3.45	-13.16	-13.42	6.63	3.99	7.21	3.84	-7.33	-4.48	-0.36
Telecom	-5.28	-8.48	1.55	-2.53	-3.32	-10.25	6.84	8.73	3.55	6.10	-7.79	-4.48	0.48
Utilities	5.60	-8.54	-6.50	-6.57	-5.48	-10.61	15.05	1.02	-0.85	2.95	-2.20	-4.47	5.11

The abovementioned sectoral indices pertain to the BSE universe

Colour scales assigned vertically

Source: Ace MF, HDFC Bank Research

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



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	7.26%	30.72%	5.68%	7.63%	6.69%	6.79%	3.99%	8.18%	0.17%	10.69%	0.15%	6.52%	3.38%	0.29%	1.86%
360 ONE	7.15%	28.93%	13.37%	4.21%	0.87%	11.68%	4.10%	5.17%	0.19%	2.53%	0.00%	6.10%	8.34%	0.21%	3.12%
Aditya Birla SL MF	8.57%	28.72%	5.97%	6.91%	6.46%	8.07%	3.89%	9.37%	0.04%	6.52%	0.49%	7.00%	3.04%	0.61%	2.00%
Axis MF	8.25%	23.62%	9.74%	7.91%	2.93%	11.86%	3.75%	5.92%	0.04%	3.77%	0.37%	10.07%	3.61%	0.42%	2.22%
Bajaj Finserv MF	6.24%	24.96%	10.21%	6.05%	10.52%	13.29%	4.15%	5.00%	0.20%	2.13%	0.88%	10.60%	0.15%	0.85%	1.41%
Bandhan MF	5.97%	29.26%	5.29%	5.89%	5.30%	8.67%	5.49%	6.35%	0.12%	6.56%	1.04%	7.68%	2.00%	0.96%	2.60%
Bank of India MF	6.27%	19.42%	14.06%	11.45%	6.22%	5.72%	3.27%	5.21%	0.78%	6.40%	0.49%	9.08%	2.13%	1.21%	2.29%
Baroda BNP Paribas	8.71%	23.11%	8.95%	5.90%	6.01%	8.52%	2.28%	5.96%	0.00%	9.34%	0.56%	11.33%	2.68%	0.66%	1.35%
Canara Robeco MF	9.43%	24.04%	9.28%	5.51%	6.35%	14.27%	3.22%	6.09%	0.09%	5.44%	1.08%	7.80%	2.38%	0.46%	1.58%
DSP MF	8.31%	25.43%	7.50%	8.57%	4.38%	6.18%	3.61%	7.30%	0.00%	6.04%	0.27%	12.34%	2.27%	1.05%	0.94%
Edelweiss MF	7.55%	24.93%	10.76%	8.60%	5.39%	10.00%	3.55%	7.77%	0.00%	4.25%	0.18%	10.32%	2.07%	1.14%	1.06%
Franklin Templeton MF	6.43%	24.29%	7.21%	6.06%	4.62%	10.50%	4.62%	8.31%	0.02%	7.33%	0.24%	8.73%	3.95%	0.59%	2.49%
Groww MF	7.94%	38.09%	5.80%	4.93%	1.52%	5.29%	4.79%	5.76%	0.04%	3.61%	0.09%	4.45%	2.96%	0.00%	2.91%
HDFC MF	11.71%	28.51%	6.16%	6.05%	2.98%	6.94%	2.55%	6.05%	0.39%	4.26%	0.15%	10.54%	2.70%	0.41%	3.56%
Helios MF	5.89%	39.79%	10.52%	0.00%	2.09%	12.34%	3.88%	1.81%	0.57%	5.42%	0.00%	6.20%	2.40%	1.71%	5.64%
HSBC MF	4.64%	24.81%	16.61%	5.31%	6.55%	11.83%	6.08%	5.81%	0.01%	3.83%	0.79%	6.20%	1.93%	1.48%	2.06%
ICICI Pru MF	9.63%	23.92%	4.01%	7.33%	4.43%	5.58%	5.51%	8.49%	0.30%	10.75%	0.89%	7.80%	3.53%	0.42%	1.59%
Invesco MF	5.37%	27.87%	10.02%	3.30%	1.92%	15.98%	5.33%	6.36%	0.00%	1.67%	0.82%	13.97%	1.64%	0.01%	3.84%
ITI MF	5.42%	26.78%	13.60%	7.99%	4.59%	7.88%	4.82%	5.65%	0.36%	4.79%	1.11%	10.76%	1.86%	0.67%	1.55%
JM MF	5.71%	28.78%	11.37%	3.71%	7.54%	12.31%	4.75%	7.39%	0.29%	2.63%	0.00%	7.18%	3.09%	1.29%	1.91%
Kotak MF	8.43%	20.34%	9.51%	12.04%	3.03%	10.39%	4.44%	8.19%	0.42%	6.47%	0.16%	8.39%	3.00%	0.21%	1.79%
LIC MF	8.45%	22.13%	19.49%	6.04%	7.58%	5.49%	4.42%	5.30%	0.28%	4.12%	1.10%	7.25%	1.75%	1.24%	2.21%
Mahindra Manulife MF	8.12%	24.68%	9.63%	7.08%	6.24%	8.33%	2.92%	6.49%	0.14%	6.79%	0.35%	10.33%	2.83%	1.29%	1.88%
Mirae MF	8.28%	28.90%	4.44%	6.75%	6.33%	9.45%	3.91%	8.69%	0.00%	6.15%	0.00%	9.80%	3.47%	0.05%	2.88%
Motilal Oswal MF	2.96%	14.33%	24.44%	2.02%	0.65%	29.40%	2.56%	13.73%	0.00%	0.47%	0.27%	3.74%	2.23%	0.39%	0.49%
Navi MF	9.01%	32.83%	9.05%	3.47%	5.35%	7.25%	0.73%	5.40%	1.18%	4.41%	1.02%	7.70%	2.91%	0.43%	2.57%
Nippon India MF	6.49%	25.51%	10.74%	5.35%	5.88%	13.11%	2.80%	4.42%	0.36%	7.57%	0.61%	10.07%	1.13%	0.81%	2.19%
NJ MF	16.47%	11.99%	0.80%	4.09%	15.32%	5.04%	0.00%	13.65%	0.00%	8.64%	0.00%	18.60%	0.00%	0.82%	0.00%
Old Bridge MF	9.63%	9.14%	0.00%	13.38%	7.42%	3.92%	4.85%	9.30%	0.00%	0.00%	1.89%	12.15%	5.16%	0.00%	12.14%
PGIM India MF	8.09%	21.11%	9.23%	8.85%	4.11%	12.97%	2.55%	6.70%	0.00%	3.16%	0.04%	12.14%	2.75%	0.88%	3.80%
PPFAS MF	7.85%	28.09%	0.03%	0.00%	5.93%	2.30%	0.00%	9.82%	0.00%	11.18%	0.00%	4.12%	3.48%	0.00%	3.00%
Quant MF	4.24%	17.58%	3.14%	7.15%	7.15%	2.88%	9.62%	3.51%	1.19%	18.88%	1.10%	12.45%	2.26%	2.50%	2.21%
Quantum MF	11.26%	37.02%	1.66%	5.10%	1.02%	4.75%	0.00%	13.98%	0.16%	3.90%	0.48%	5.21%	2.90%	0.00%	0.95%
Samco MF	1.24%	22.74%	7.47%	7.55%	4.13%	1.60%	2.93%	2.80%	0.02%	0.65%	0.02%	6.54%	1.01%	1.44%	1.57%
SBI MF	8.05%	25.49%	4.88%	7.97%	5.84%	9.68%	3.18%	5.14%	0.24%	8.53%	1.76%	6.81%	2.65%	1.79%	2.11%
Shriram MF	11.49%	36.69%	2.43%	7.44%	2.88%	0.71%	1.01%	10.35%	0.00%	4.25%	0.00%	11.51%	6.63%	0.00%	1.46%
Sundaram MF	6.88%	26.23%	7.89%	5.93%	5.51%	10.41%	3.61%	6.12%	0.23%	6.48%	0.35%	8.69%	4.10%	0.14%	2.24%
Tata MF	4.89%	20.76%	7.79%	7.78%	5.19%	8.12%	3.58%	15.80%	0.16%	5.85%	0.97%	7.44%	2.35%	0.59%	3.11%
Taurus MF	5.94%	20.81%	7.08%	5.05%	12.49%	4.75%	5.42%	7.21%	0.00%	13.23%	0.00%	8.47%	2.78%	0.92%	1.14%
Trust MF	8.19%	22.70%	13.30%	5.29%	2.97%	9.71%	3.79%	6.27%	0.00%	1.78%	0.00%	11.87%	1.48%	0.00%	5.93%
Unifi MF	4.21%	31.26%	3.62%	5.35%	5.10%	1.14%	4.26%	5.22%	0.00%	6.39%	1.37%	11.60%	5.67%	0.00%	4.99%
Union MF	9.72%	24.40%	13.26%	6.73%	3.61%	10.92%	4.35%	6.24%	0.13%	4.03%	0.00%	8.45%	2.45%	0.75%	2.11%
UTI MF	9.80%	24.34%	5.66%	5.52%	3.93%	15.04%	2.47%	9.83%	0.26%	4.26%	0.48%	9.75%	3.03%	0.64%	1.91%
WhiteOak Capital MF	6.32%	30.51%	8.84%	3.89%	3.54%	9.71%	1.33%	7.96%	0.01%	3.06%	2.35%	11.16%	4.34%	0.30%	2.00%

Data as on 31st August 2025

Source : ICRA Analytics Limited

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

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

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

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

Source: White House, Media Reports

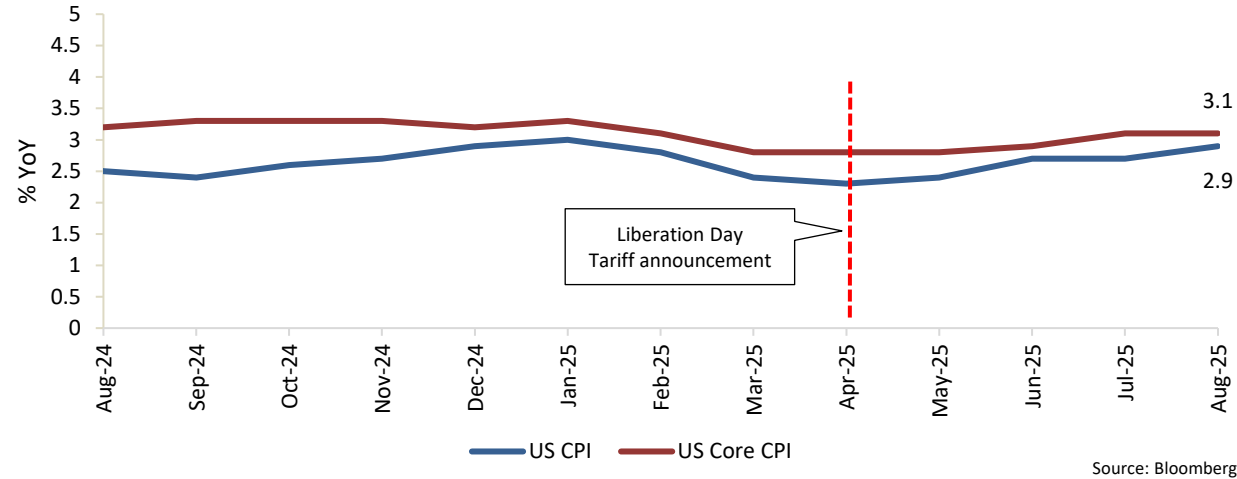
Fixed Income Market

Fixed Income Outlook – October 2025

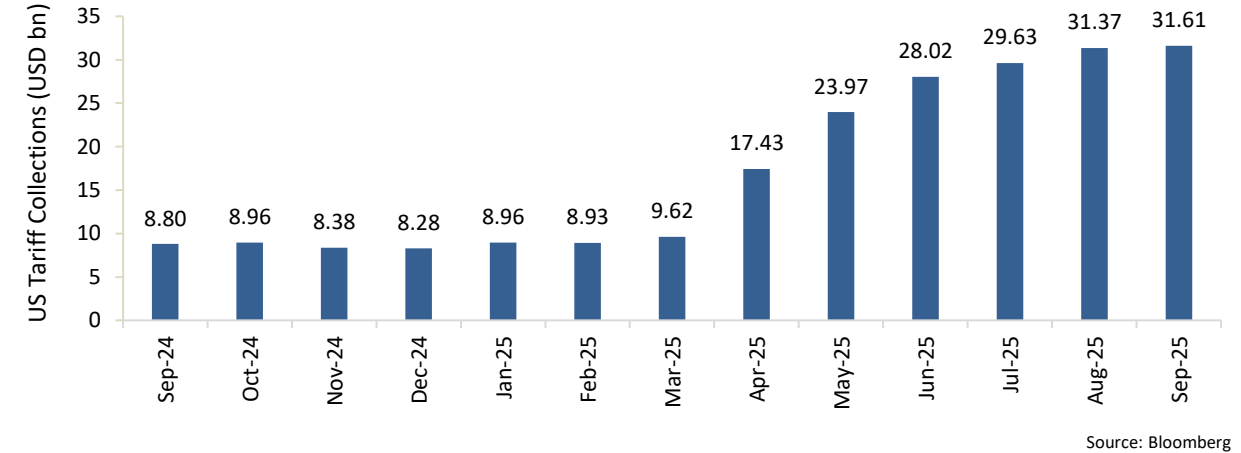
- RBI has been actively managing the liquidity condition throughout the month. When the liquidity was comfortably in surplus, the RBI used VRRR auctions to align the call money rate with the Repo rate. However, as Advance Tax and Income Tax Returns related outflows turned the system liquidity to deficit, RBI switched to VRR auctions to inject short-term liquidity into the system.
- The Consumer Price Index (CPI) inflation print showed an uptick in August 2025 on the back of low base effect, rising to 2.07% YoY as against the revised 1.61% YoY in July 2025. Core Inflation marginally decelerated to 4.11% YoY in August 2025 from 4.12% YoY in the previous month. Nevertheless, inflation remains extremely well anchored. Going forward, the recent GST rationalisation is expected to lower prices of most essential items, which can help in bringing down both headline and core inflation. However, the risk to cereal inflation stems from the floods in Northern parts of India which may damage crop production.
- The Rupee continued to weaken against other major currencies as the US administration continued with their levy of punitive tariffs on Indian imports. In the absence of positive developments around bi-lateral trade agreement with US, the INR is expected to continue moving with weakening bias against USD. The recent sharp depreciation of INR vs USD could also be attributed to the announcements by the US around H1B visas, and it remains a monitorable.
- Other external parameters like forex reserves and FPI inflows were robust. Trade balance also remained stable, but the data could be skewed due to the frontloading of imports before the higher trade tariffs kicked in.
- The RBI, in its MPC meeting held between September 29-October 01, 2025, unanimously decided to keep the policy Repo rate unchanged at 5.5% and continued with its “Neutral” stance. They lowered their FY26 inflation projection to 2.6% YoY from the earlier 3.1% YoY estimate. Also, the Real GDP growth projection for FY26 was revised upwards to 6.8% YoY from 6.5% YoY earlier. Going forward, growth-inflation dynamics will continue to determine the necessity of further policy actions by the RBI, where the RBI expects growth to overshoot its initial estimates. Also, the lower inflation projection will give the RBI enough space to look at policy easing.
- In the US, the Federal Reserve cut interest rates by 25 bps, for the first time in the calendar year and indicated that it will steadily lower borrowing costs for the rest of 2025, as policymakers responded to concerns about weakness in the job market. Going forward, the depth of further policy easing done by Fed and forward commentary around the same will remain a key monitorable.
- In the EU, inflation remained stable, allowing the ECB to maintain the pause on further policy easing. However, rising debt pressures can derail macro stability.
- Globally, the disinflationary trend has allowed central banks to cut rates to support growth and employment. However, Japan raising policy rates is a notable exception.
- Base commodity prices have seen a gradual uptick on the back of a confluence of monetary policy shift and supply constraints, while oil prices remain rangebound.
- With pro-growth policy actions by the RBI, lower prices due to GST rationalisation and continued moderation in CPI inflation, we may continue to see structurally lower interest rates over the medium-term.
- Emerging Fiscal concerns and higher supply of SDLs led to hardening of yields at the longer end, creating high term spreads and opening up some tactical opportunity for Dynamic Bond Funds and Gilt Funds. While the Government has decided to lower its borrowing in the longer dated papers, state government supply remains a key monitorable.
- The G-Sec term spreads at the longer end are expected to compress with the RBI announcing a lower long bond supply in H2 FY26, benefitting Dynamic bond funds and Gilt funds which are tactically positioned to take advantage of the same.
- The spread at the shorter end of the Corporate Bond yield curve continues to remain at lucrative levels against G-secs. Liquidity is expected to remain comfortable, and the curve may steepen further. Thus, a case continues to exist for investment into corporate bond funds that are at the 1-4-year segment of the curve. Hence, investors can look at Corporate Bond Funds for a horizon of 15 months and above.
- For a horizon of 24 months and above, investors may consider Income Plus Arbitrage FoF or consider Dynamic Bond Funds and Gilt Funds for tactical opportunity.
- For a horizon of 3 months and above, investors can consider Arbitrage Funds and Money Market Funds.
- Whereas for a horizon of up to 3 months, investors can consider Overnight Funds and Liquid Funds.
- Investors can also look at Multi-asset Allocation Funds for a horizon of 36 months and above.
- Investors should invest in line with their risk profile and product suitability.

US – Fed blinks as unemployment bites

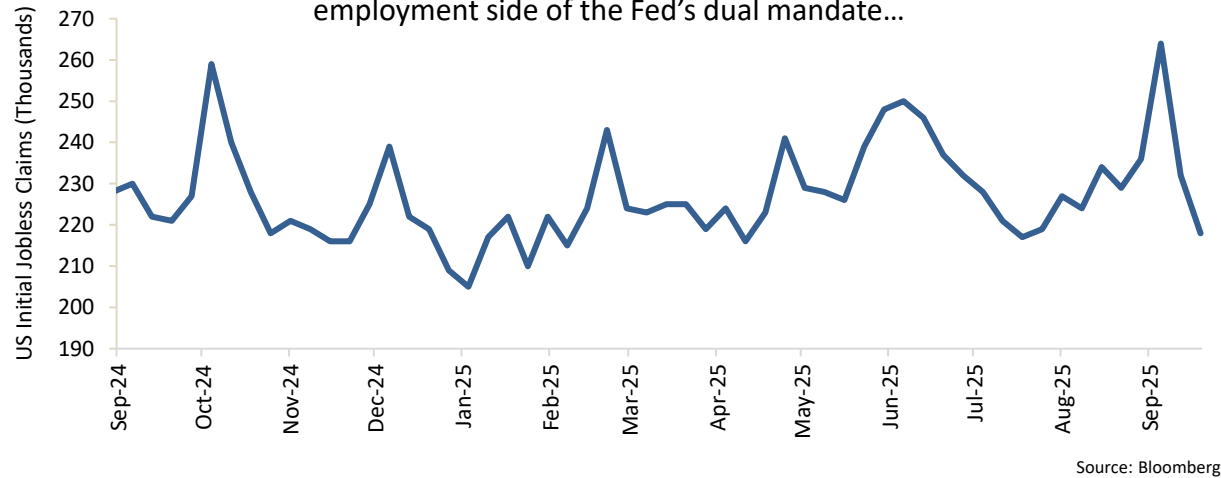
US Headline inflation rose marginally... Core inflation remained steady



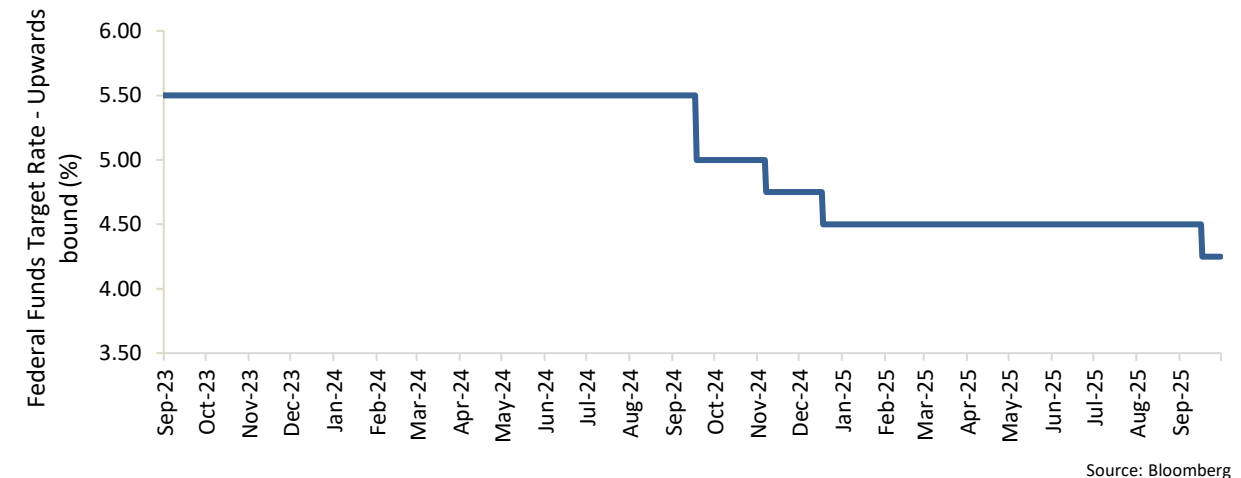
While rising tariff income would benefit the fiscal construct, it may drive inflation higher and weaken growth going forward



Elevated unemployment levels shifted balance of risks toward the employment side of the Fed's dual mandate...

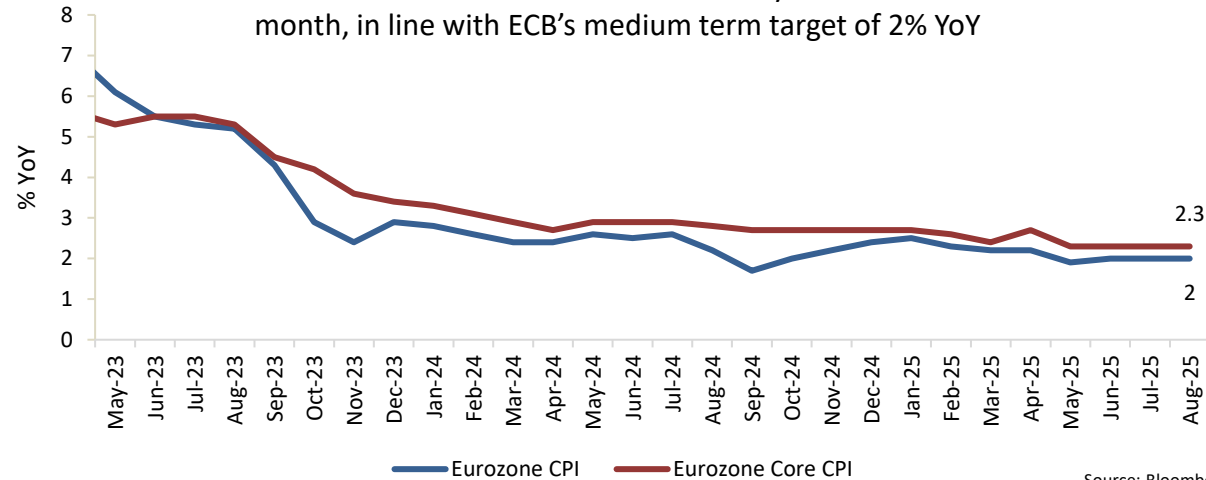


... which led the Fed to cut policy rates for the first time this calendar year

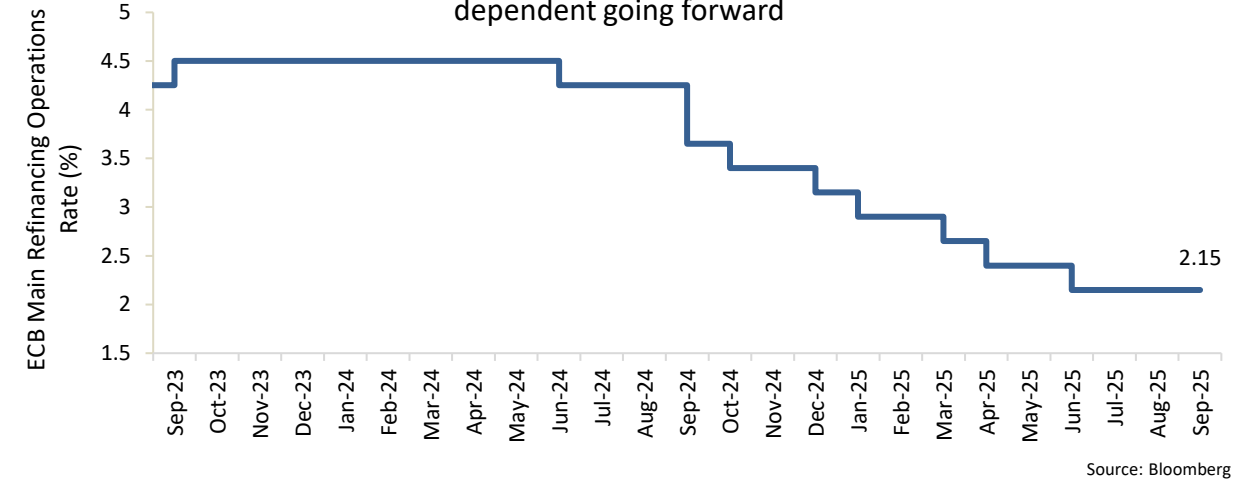


EU – Rising Debt pressures can derail macro stability

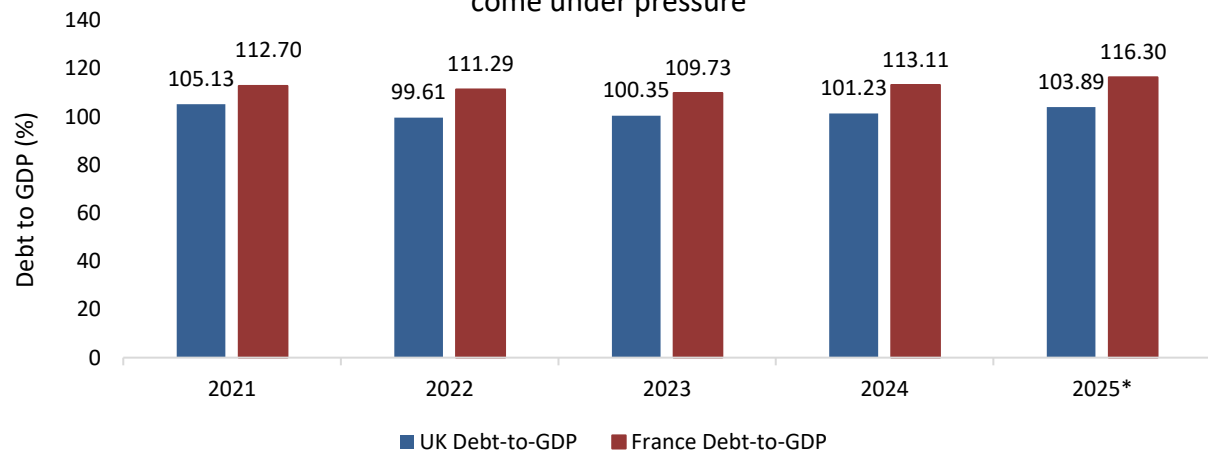
Headline inflation in the Eurozone remained steady for the third consecutive month, in line with ECB's medium term target of 2% YoY



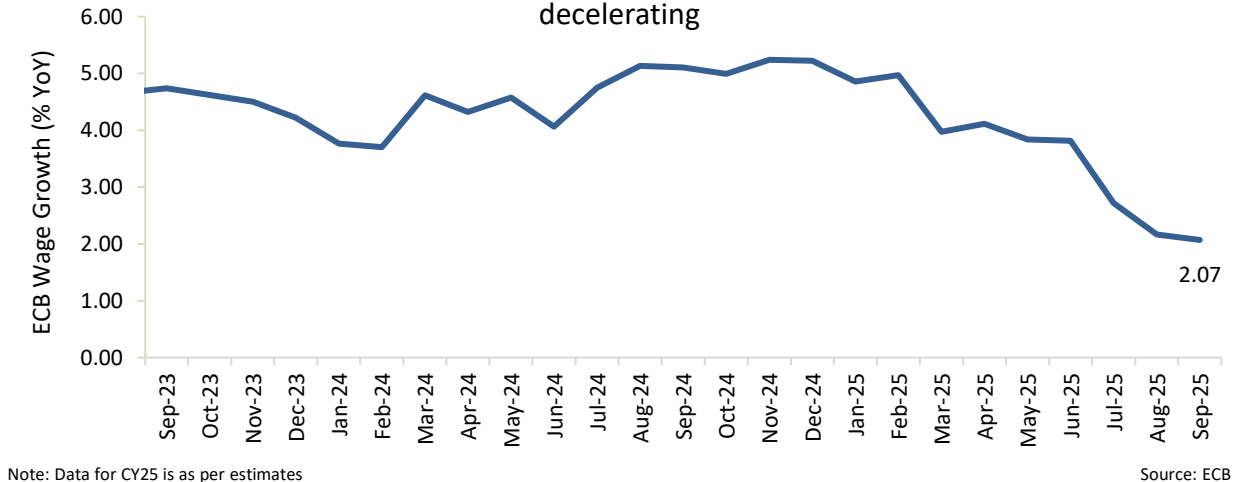
ECB continued its pause on rate cuts and is expected to remain data-dependent going forward



As countries commit to higher defence spending, their fiscal health may come under pressure

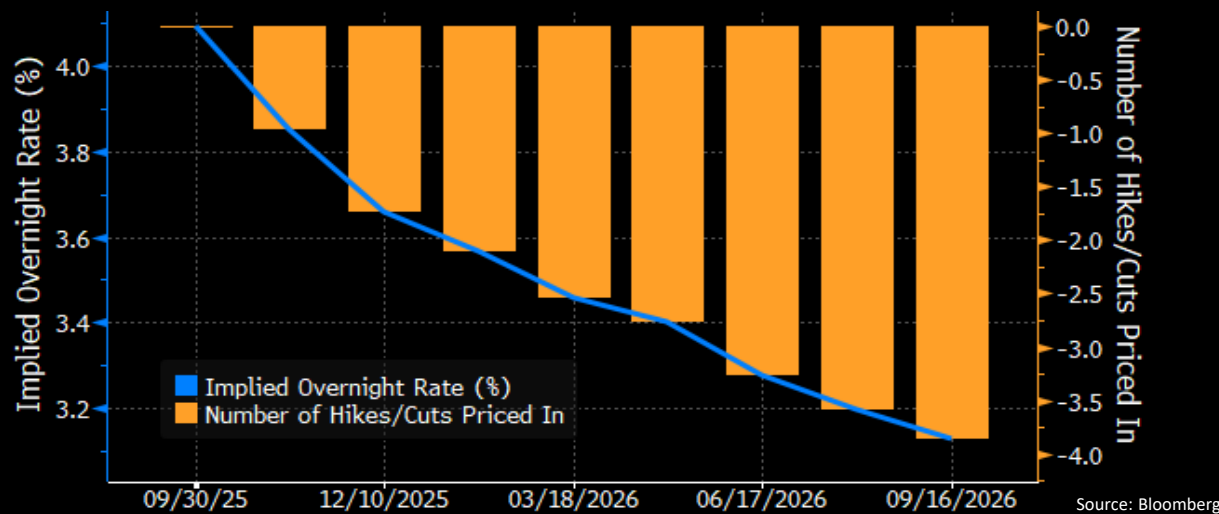


While ECB maintains that labour market remains strong, EU wage growth is decelerating



After much deliberation, the US Fed finally cut rates to ease employment distress... ECB remains on a dovish pause

Weakness in the US labor market forces Jerome Powell to ease policy rates



"We will carefully assess and manage the risk of higher and more persistent inflation. We will make sure that this one-time increase in prices does not become an ongoing inflation problem..."

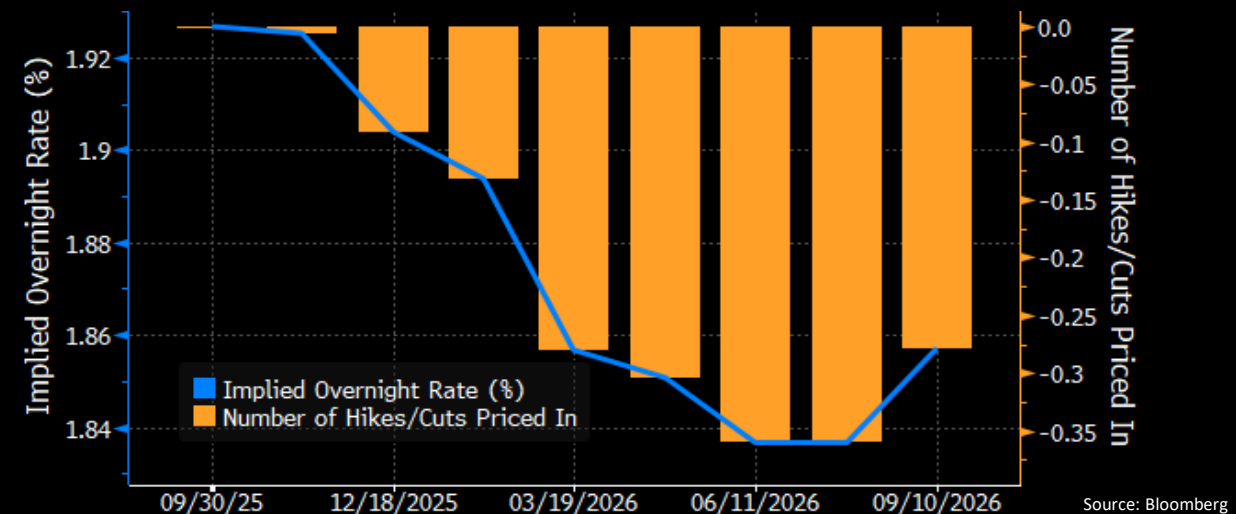
Near-term risks to inflation are tilted to the upside and risks to employment to the downside—a challenging situation. Two-sided risks mean that there is no risk-free path. If we ease too aggressively, we could leave the inflation job unfinished and need to reverse course later to fully restore 2% inflation. If we maintain restrictive policy too long, the labor market could soften unnecessarily. When our goals are in tension like this, our framework calls for us to balance both sides of our dual mandate."

- Jerome Powell

Chairman, US Federal Reserve

Greater Providence Chamber of Commerce 2025 Economic Outlook Luncheon

Steady labor and inflation data allows Christine Lagarde to maintain their policy stance



"As we can model the future, the risks to inflation appear quite contained in both directions..."

With policy rates now at 2%, we are well placed to respond if the risks to inflation shift, or if new shocks emerge that threaten our target..."

This reflects the fact that the imposition of US tariffs coincided with a broader re-evaluation of the country's position in the global financial system..."

Investors began to question whether the US Dollar would continue to warrant its status as the ultimate safe-haven currency..."

Government investment is now expected to add 0.25 percentage points to growth between 2025 and 2027, offsetting around one-third of the trade shock."

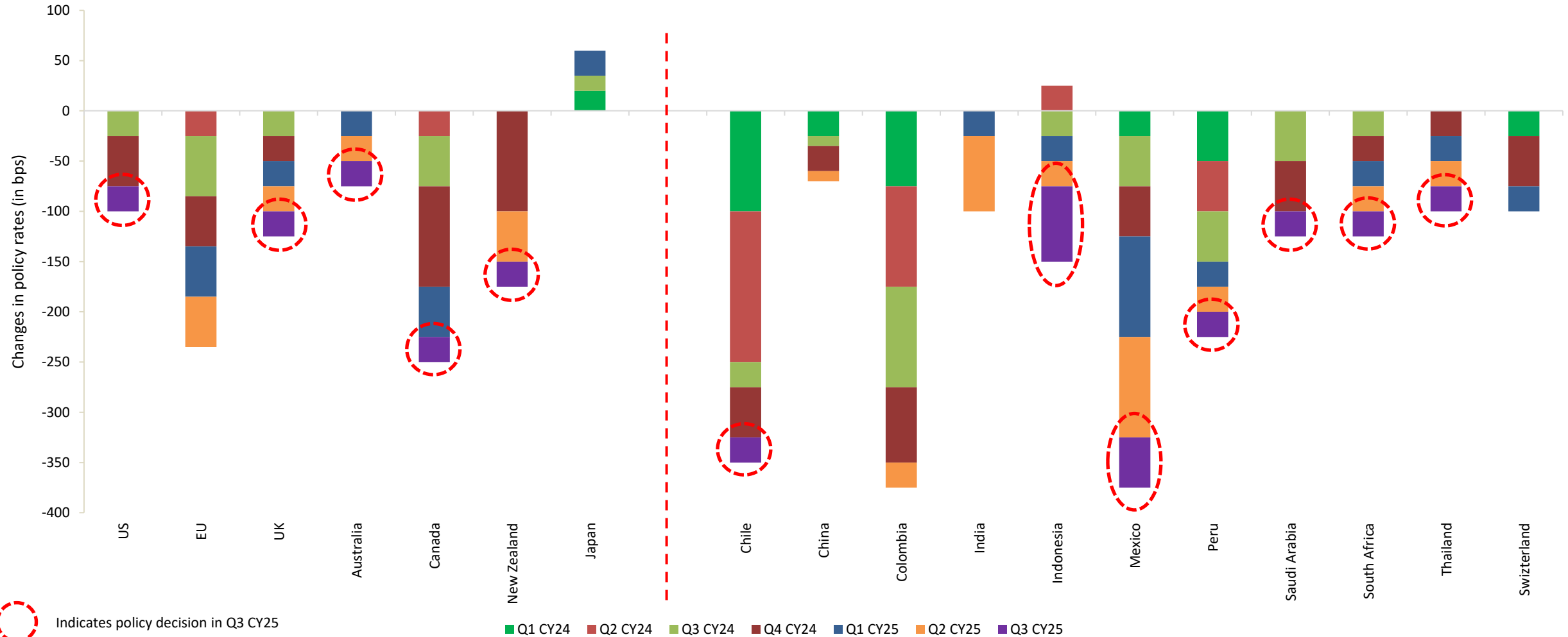
- Christine Lagarde

President, European Central Bank,

Bank of Finland's 4th International Monetary Policy Conference

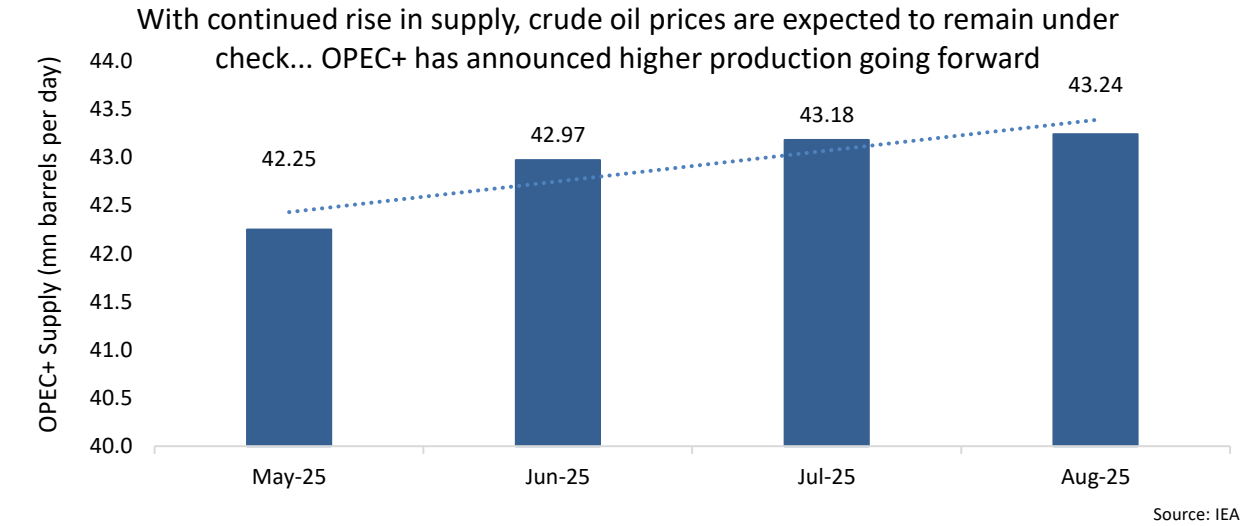
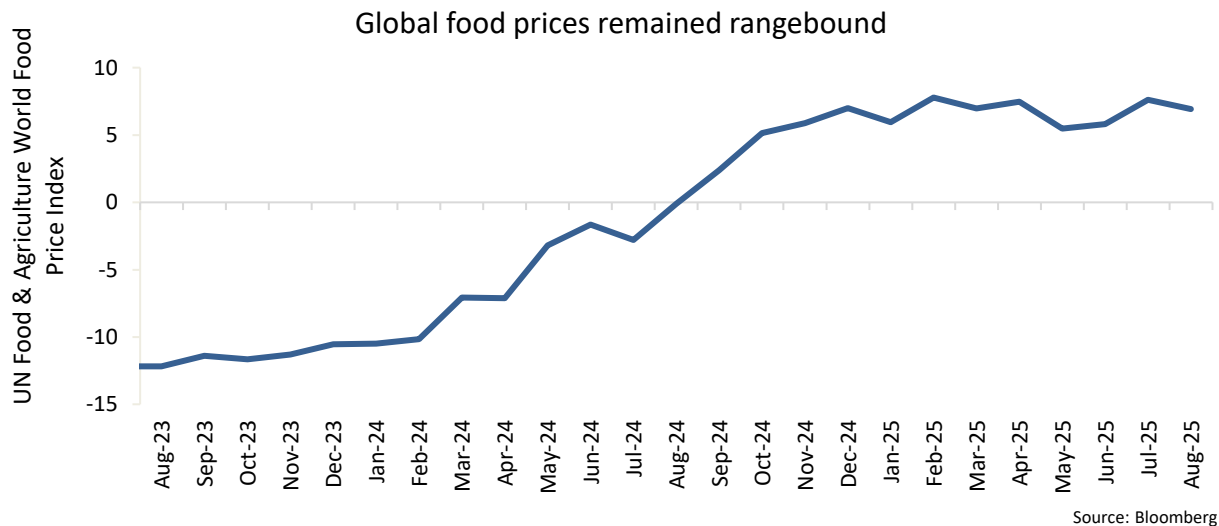
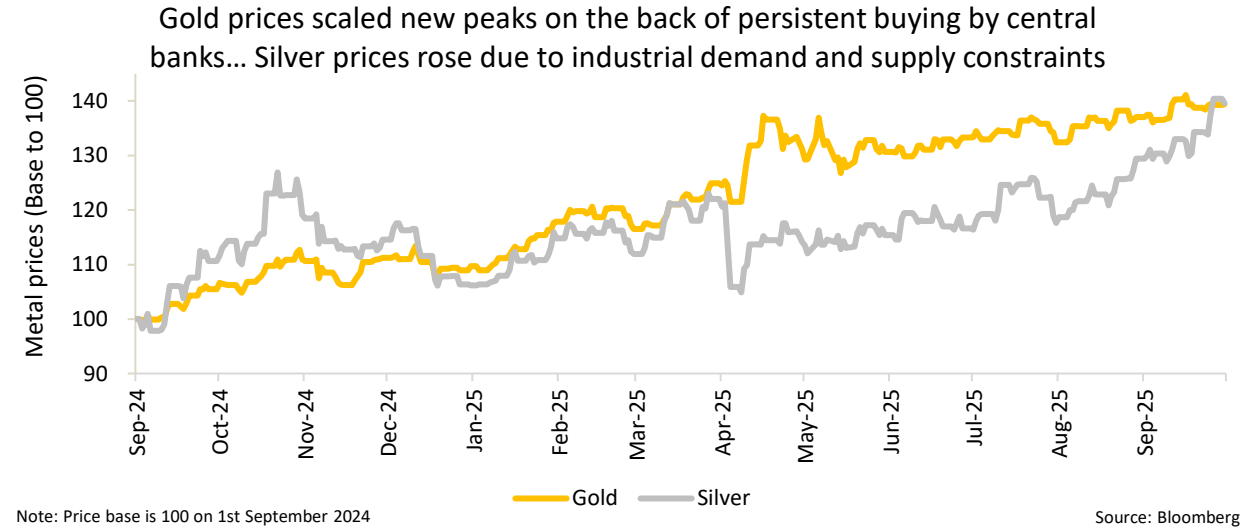
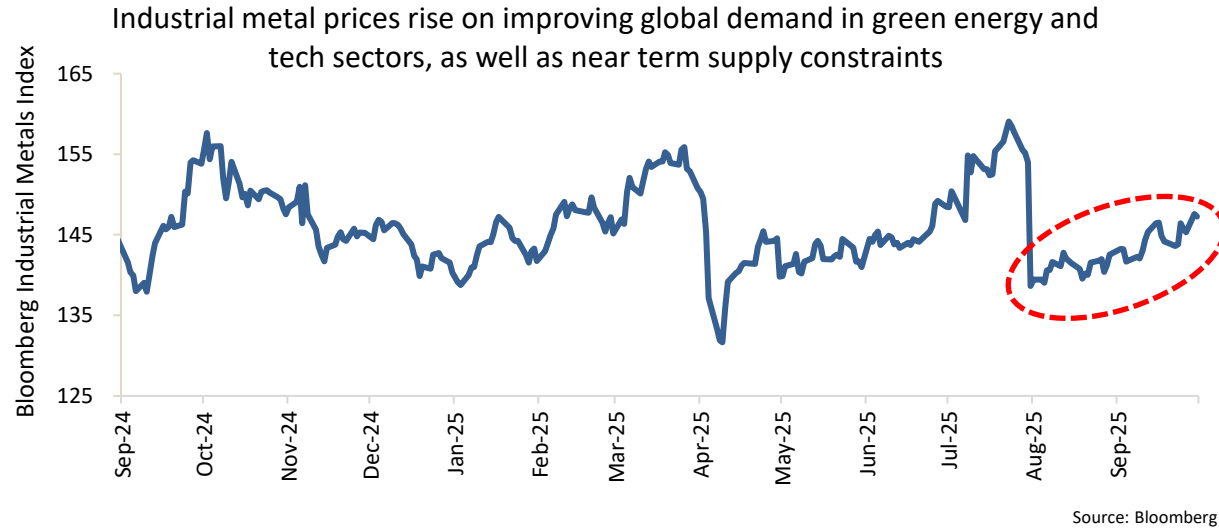
Global disinflation has allowed central banks to cut rates for supporting growth and employment... Japan remains the only exception

While the RBI left policy rates unchanged, they are expected to ease rates further in the current cycle



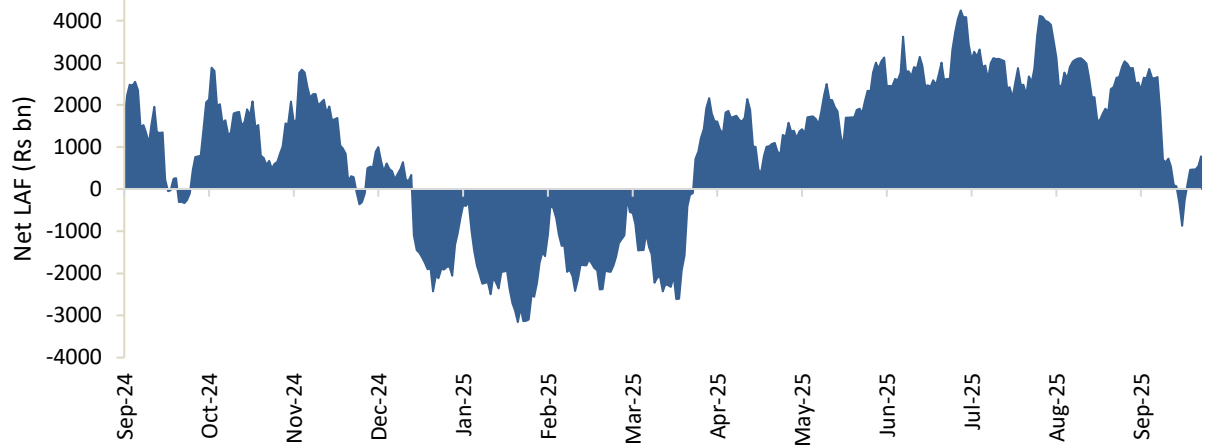
Source: Bloomberg

Global Commodities – Prices saw a gradual uptick as easing monetary conditions have given a boost to industrial demand... Higher crude supply may cap any price rise in the near to medium term

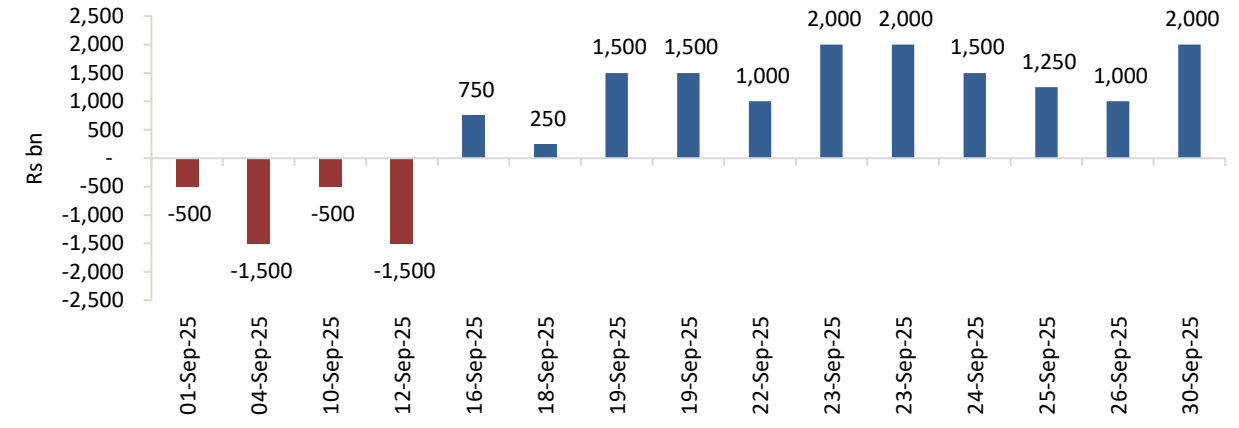


With advance tax outflows, RBI proactively supported system liquidity through VRR auctions

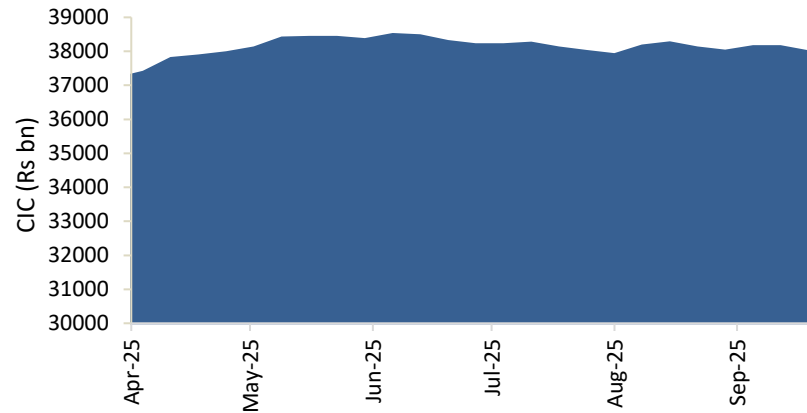
Banking system liquidity dipped due to advance tax outflows...



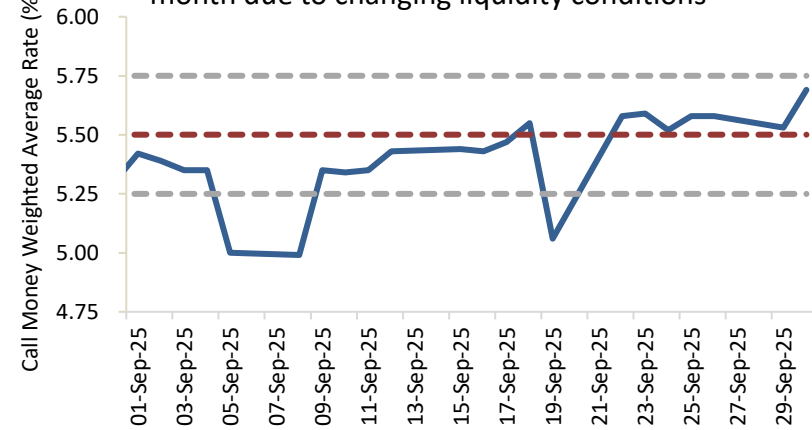
... RBI actively supported liquidity through VRR auctions



Currency in Circulation continues to remain stable this fiscal year



Call money rates remained volatile throughout the month due to changing liquidity conditions



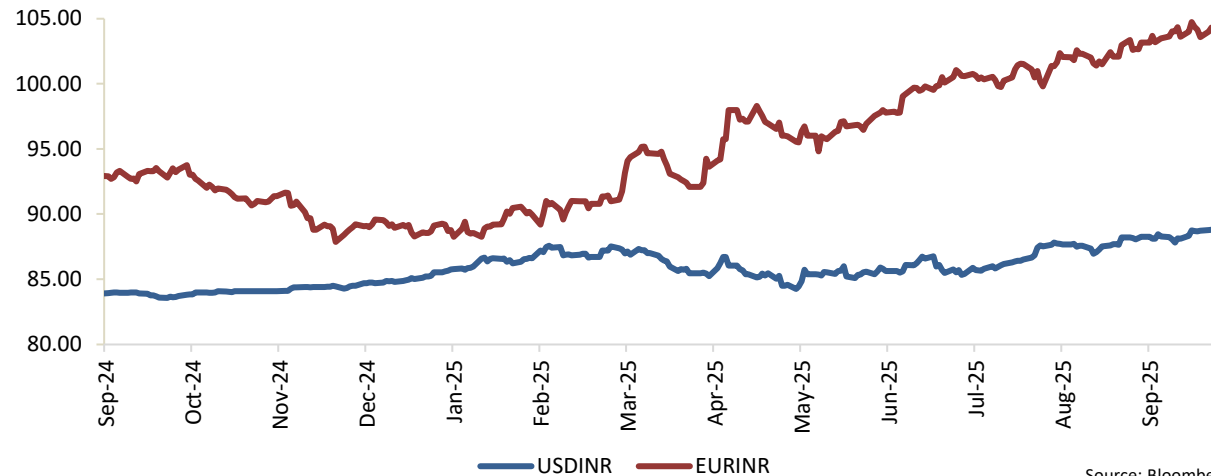
CRR cuts to also provide liquidity support

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

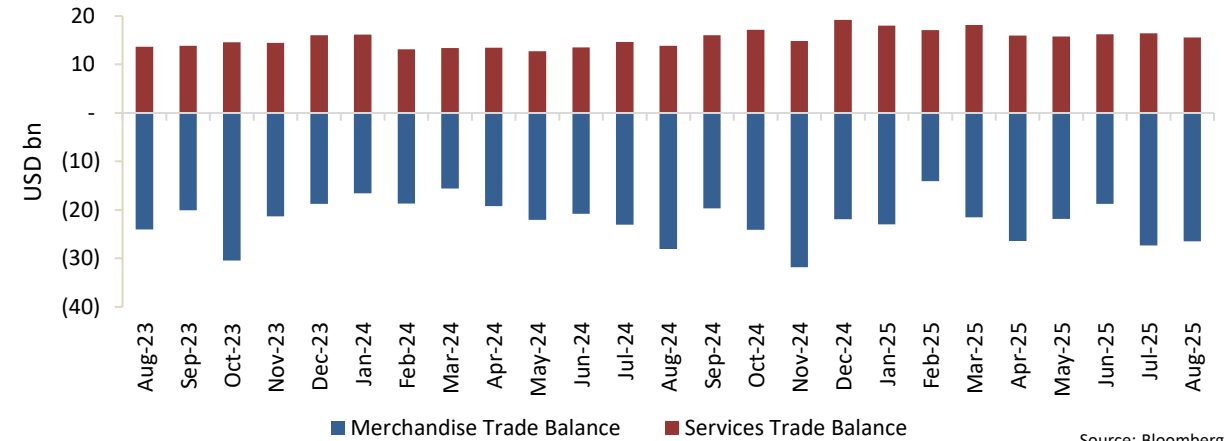
Source: RBI

With announcements of new H1-B Visa rules and non-reversal of punitive tariffs by the US, INR weakened while other external parameters remained stable

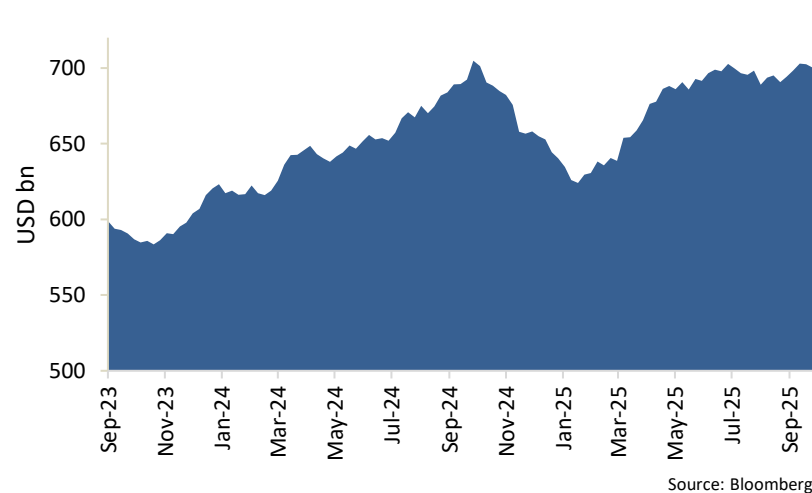
The Rupee has touched all-time low levels against other major currencies



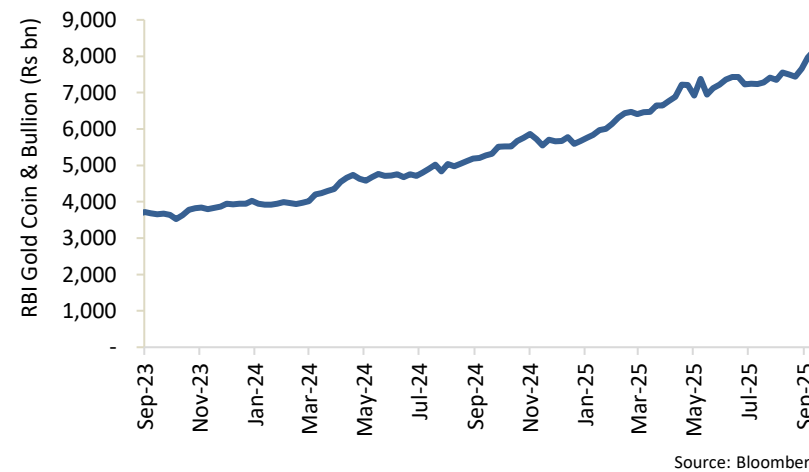
Merchandise and Services trade balances improved over the past year...
Pre-buying due to US Tariffs could be a reason for the improved trade deficit



Forex Reserves continue to remain robust



RBI continues its Gold buying spree



After S&P upgraded India's sovereign rating last month, Moody's and Fitch retain their ratings

Rating of top five economies by S&P

US	AA+
China	A+
Germany	AAA
India	BBB
Japan	A

S&P rating scale (investment grade, from lowest to highest):
BBB-, BBB, BBB+, A-, A, A+, AA-, AA, AA+, AAA

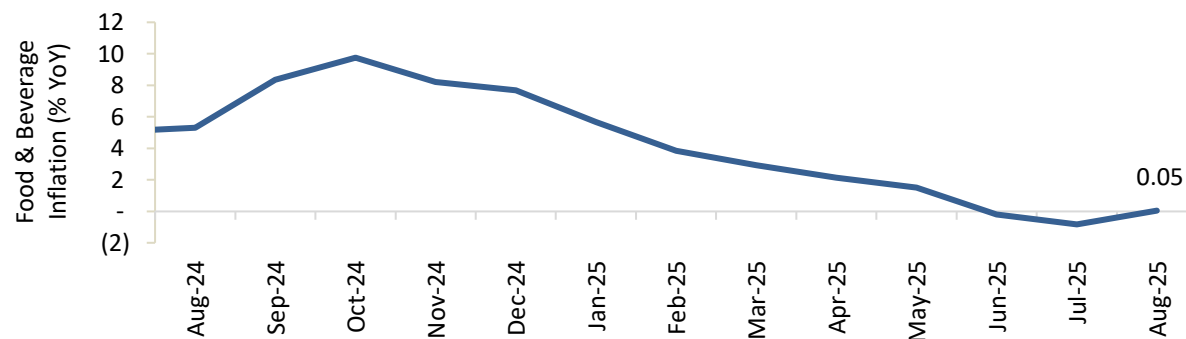
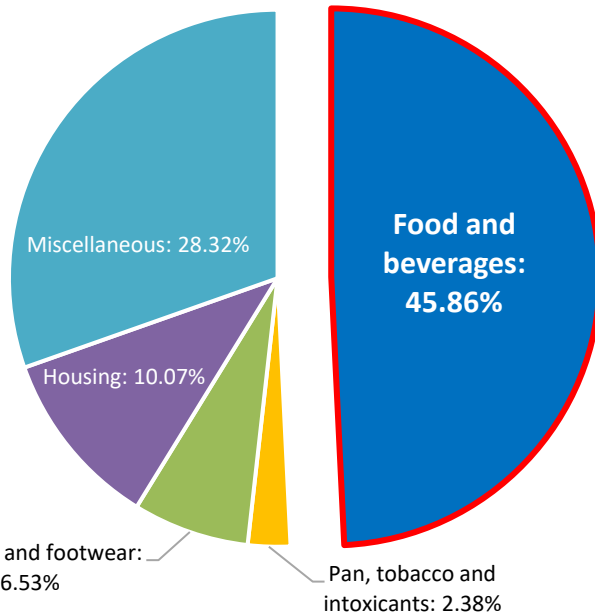
India's rating by other agencies

	Rating	Outlook
Moody's	BAA3	Stable
Fitch	BBB-	Stable

Source: Business Standard Research

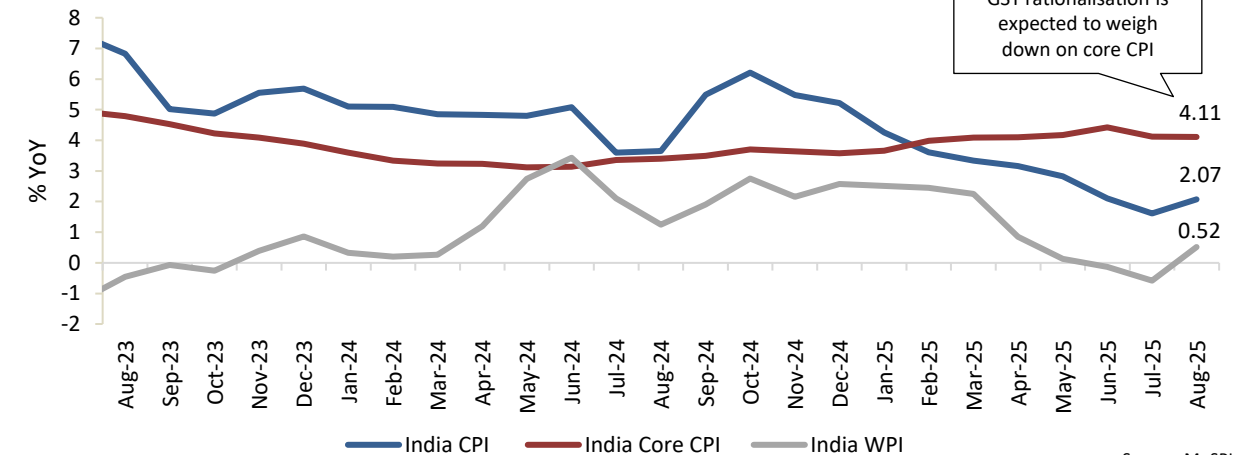
Headline inflation came in marginally higher on the back of base effect... GST rationalisation may drive Core inflation lower going forward, allowing RBI more space for policy easing

Food and beverage inflation showed a slight uptick, but remains comfortable...



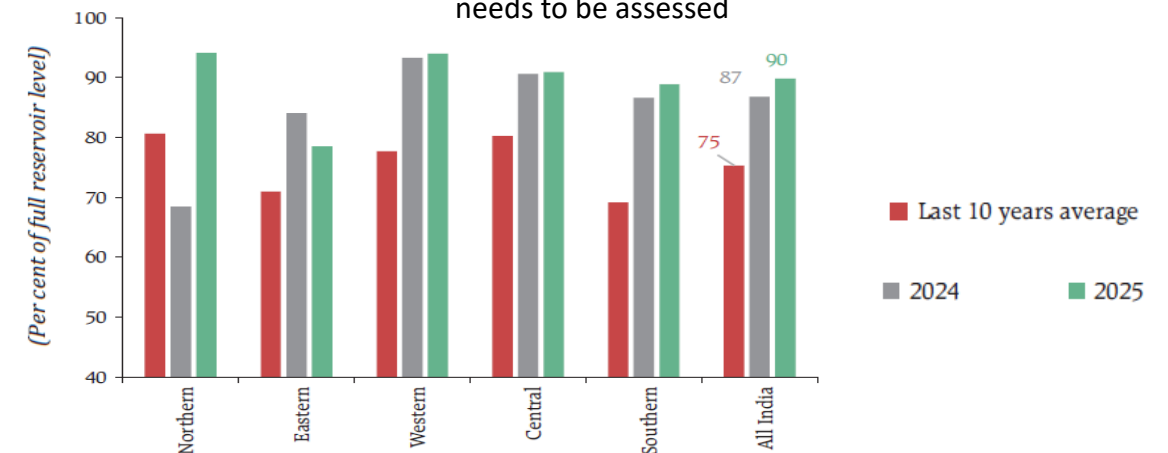
Source: MoSPI

... keeping Headline inflation benign



Source: MoSPI

Reservoir levels are at comfortable levels, but the impact of floods in North India needs to be assessed

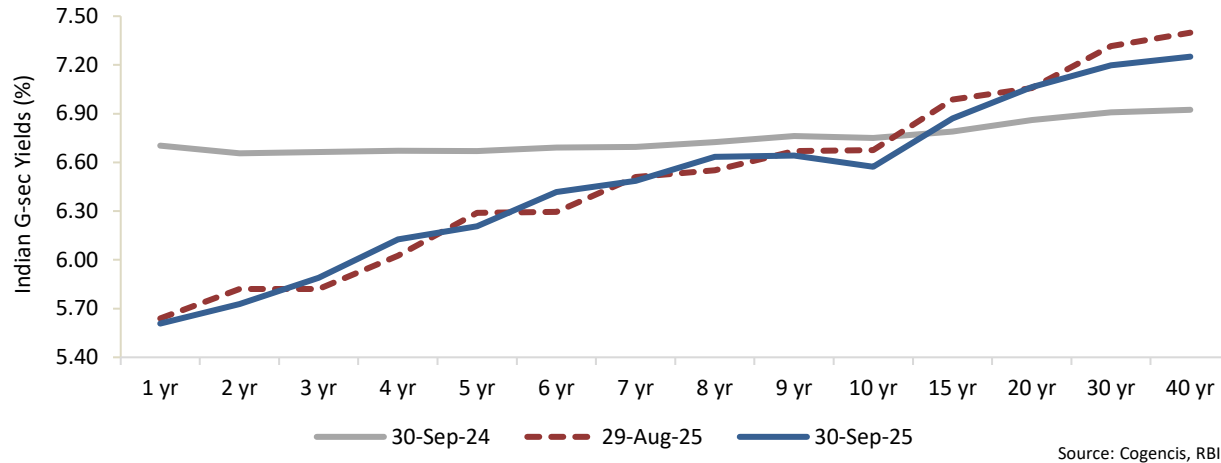


Note: Data as on 18 September 2025

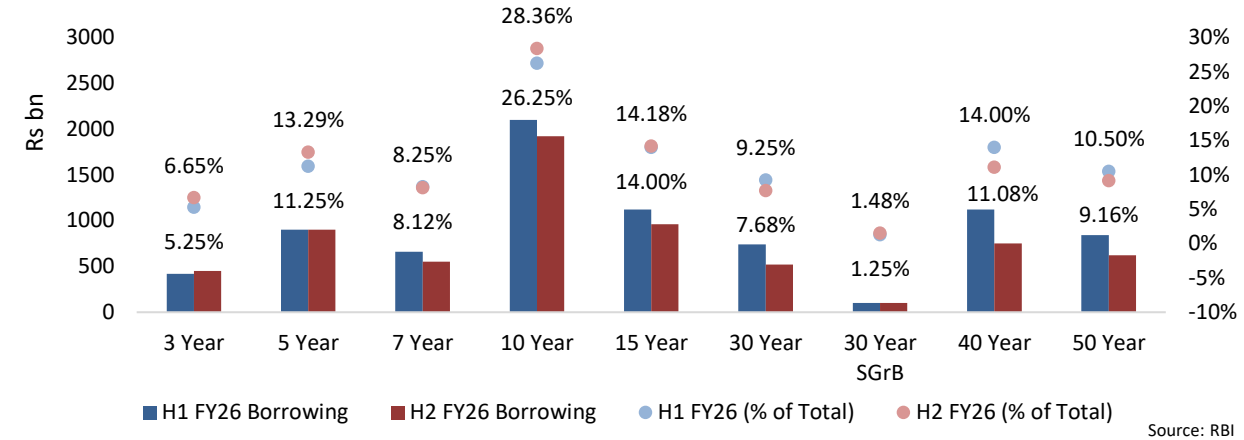
Source: CWC

With reduced government borrowing at the extreme long end, the spreads between medium and long end yields have started to come off...

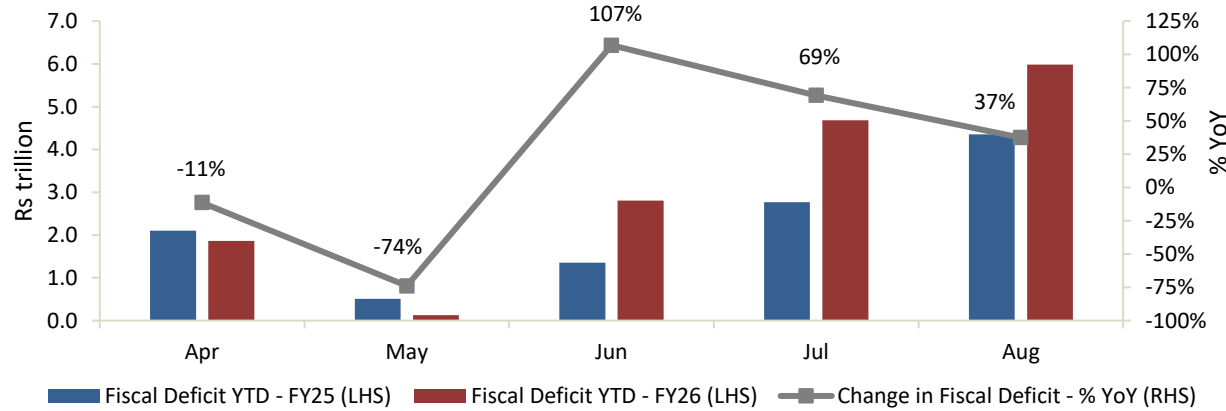
... however, the term spreads still remain at elevated levels



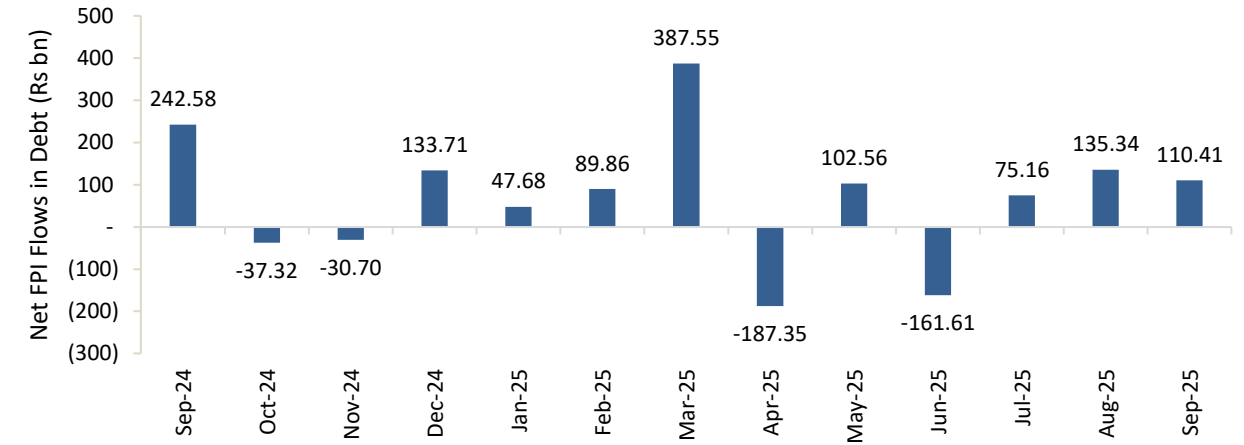
Government projects no upward revision to H2 FY26 borrowing despite weakening tax collections



With weakening tax collections, fiscal deficit rose vs the same period last year... remains a key monitorable



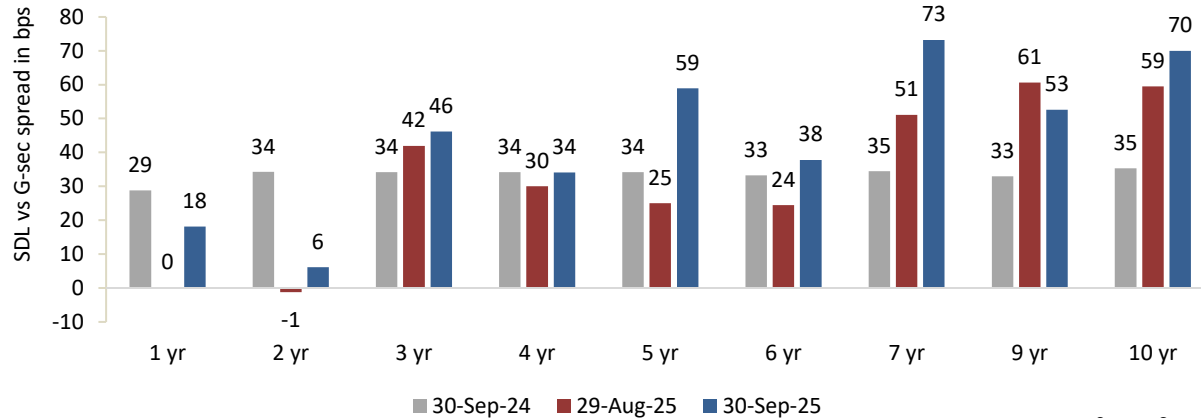
FPIs continue to remain positive on the Indian Bond Market



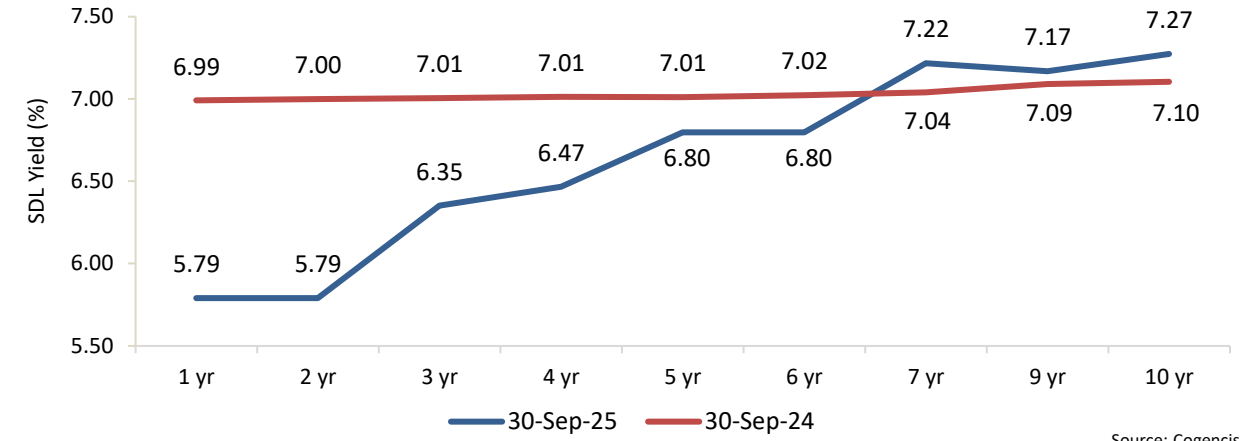
Note: Debt FPI includes flows to/from - Debt General Limit and FAR

While Corporate bond spreads have remained reasonably stable at the short to medium end, the SDL spreads have spiked across tenors due to higher supply

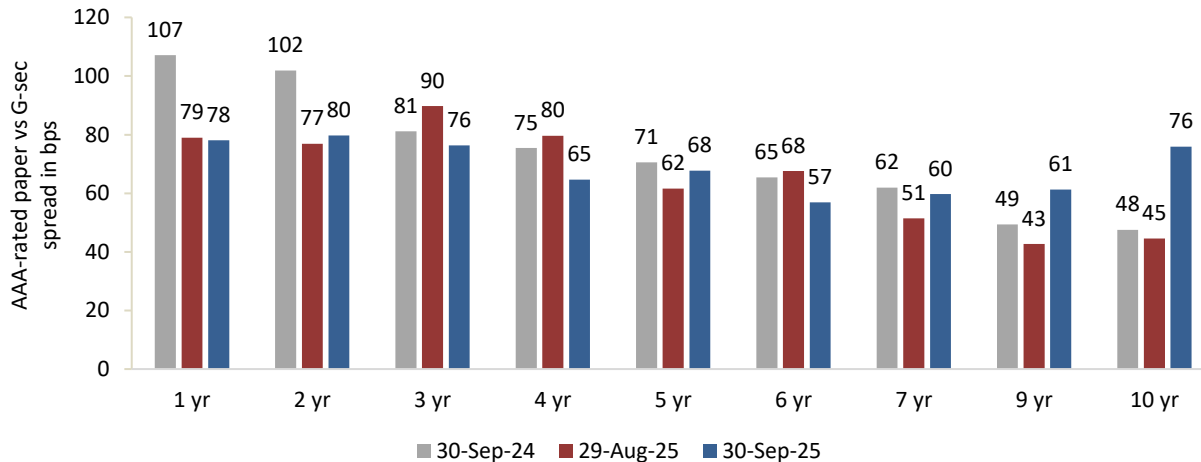
States have been borrowing at elevated rates and longer tenors, leading to a sharp rise in yields



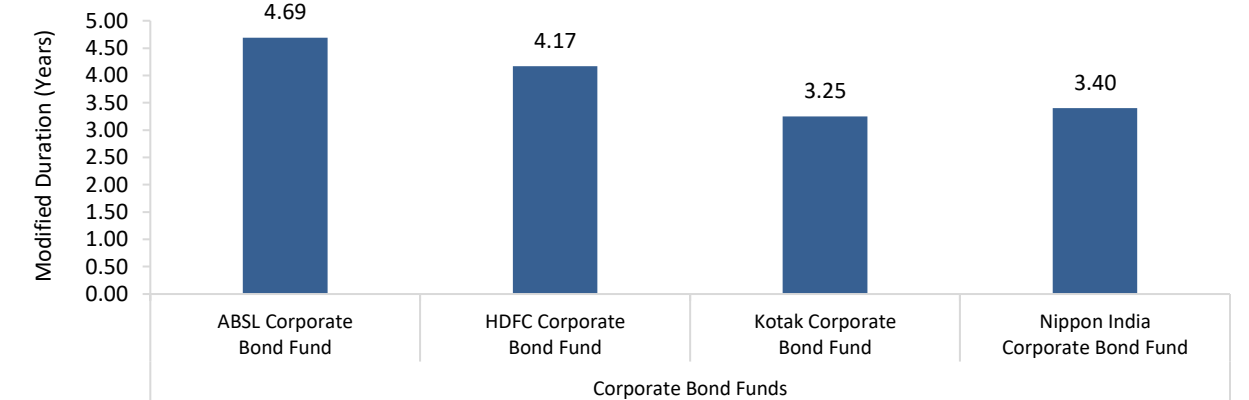
Due to strong supply, the SDL curve has moved higher at the longer end, creating a tactical opportunity



Corporate bond spreads rose sharply at the longer end of the curve...



... so Corporate Bond Funds that are positioned to take advantage of the same could benefit



Note: Data as on 31st August 2025

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