HDFC Bank – Research Presentation

July 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	
	Jul-26	Jun-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	
	Jul-26	Jun-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 – July 2026**
- US: Economy remains robust, rising inflation and hawkish Fed emerge as the new risk
- Europe: Continues to show mixed picture with rising rates and weakening growth
- China: Strong exports unable to hide the domestic weakness
- Commodities: Cool off post the US-Iran ceasefire, while rising food inflation remains a key monitorable
- Emerging Markets: Outflows seen on the back of stronger Dollar Index, AI-trade plays remain at risk
- US-Iran ceasefire led to improved market sentiments, though overall FPI selling continues to remain a cause of concern
- Sectoral performance and FPI flows in June 2026
- Q4 FY26 GDP growth, at 7.8% YoY, held up despite the West Asia war
- India Macros: Declining crude price and FCNR(B) led inflows to drive further macro stability
- Urban Economy: Demand remains strong
- Rural Economy: Weak monsoon may dampen rural growth
- Q2-FY27 earnings can see impact on margins as cost of production is rising
- India: Valuations remain fair…with macro condition improving
- Sustained Retail participation through Mutual Funds continues to support the market amidst relentless FPI selling
- Market Roundup – June 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. their long-term averages
- Current 1-year forward P/E multiples of countries vs. their 5-year average 1-year forward P/E
- AMC Sectoral Holdings

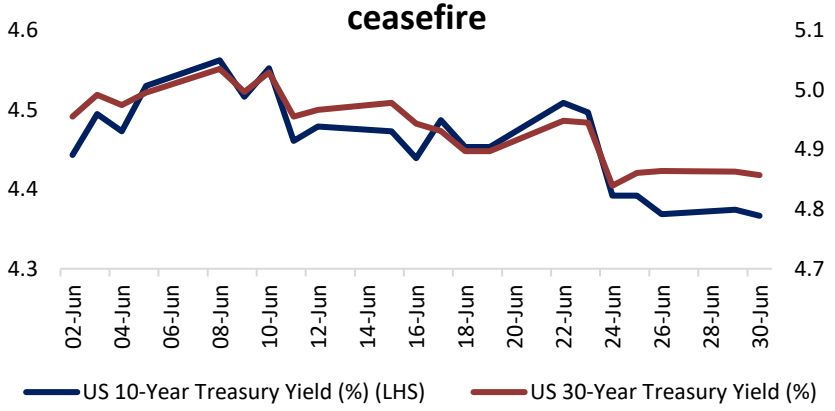
- **Fixed Income Outlook and Strategy – July 2026**
- US: Persistent rise in inflation led the Fed to take a hawkish stance… Interim peace deal with Iran may bring relief
- EU: Surging inflation meant ECB prioritised inflation despite sluggish growth guidance
- Both the Fed and ECB turn hawkish, with the latter hiking rates… Fed may also do away with dot plots
- As inflation becomes entrenched, multiple major central banks went ahead with rate hikes or took relatively hawkish view
- Global Commodities: Prices saw a see-saw start before coming off significantly post US's interim peace deal with Iran
- System liquidity came under pressure, driving up CD/CP yields, but RBI MPC announcement aided in bringing them down
- RBI MPC meeting saw the announcement of a spate of measures to incentivise capital flows
- External sector showed signs of stability, but some worries remain
- CPI inflation remained marginally under RBI's mid-range target of 4% YoY… Effect of El Nino and a weaker monsoon is expected exert further upward pressure on inflation, but some respite may come from easing crude prices
- Geopolitical volatility and weakening currency kept G-sec yields elevated, which was later offset by the ceasefire announcement and RBI's policy outcome
- Expectations around foreign capital flows via ECBs and FCNR(B) are likely to weigh down on yields further, benefitting Corporate Bonds and SDLs at the shorter end
- Disclaimer

Equity MF Outlook and Strategy – July 2026

- US and Iran agreed to a ceasefire and an interim MOU has been signed which has marginally eased the pressure on the longer-end of the curve but elevated inflation and strong non-farm payroll data has turned the Fed hawkish which has led to a strengthening in DXY. The latest Fed minutes show rising expectations of a rate hike in December. The policy framework pursued by the new Fed Chair would be the key monitorable. A key risk for the US remains its elevated Debt/GDP ratio.
- Eurozone continues to show mixed picture. Inflation continues to remain above the 2% band, driven by a sharp rise in energy costs, which has forced ECB to hike rates. The Manufacturing PMI remains stable but declining Consumer Confidence and a below expectation Q1 GDP growth print remain a cause for concern. The European Commission had also downwardly revised its GDP growth forecasts for CY26 and CY27, raising stagflationary concerns.
- China's aggregate business conditions remain stable. Trade balance has been strong driven by exports resilience driving the appreciation in Yuan. Nevertheless, retail sales remain weak as domestic demand lags, weighed down by weak household confidence and a still-correcting Real Estate sector with declining home prices. However, with inflation conditions expected to remain benign along with easing pressure on crude prices, policy space remains ample for government to support demand.
- Commodity prices corrected in June. Crude prices came off sharply during the month as an interim deal was agreed upon to end the West Asia war. Gold (and Silver) prices came off, falling from its all-time high of USD 5,603 In Jan 2026 to near USD 4,008 by end June, as global central banks are turning hawkish. Industrial metal prices came off in June and have broadly remained rangebound over the last 3 months. While rising food prices, in a El Nino year has turned out to be a key monitorable.
- Emerging Markets (EMs) may see lower flows as the DXY has strengthened on the back of a hawkish Fed. Rally in the AI driven markets also seems to show sings of volatility; commodity-driven markets like Mexico (largest silver producer) and Brazil delivered negative monthly returns as commodity prices came off in June.
- **India's macros are showing signs of improvement.** The Q4 FY26 GDP growth @7.8% YoY was better than expected, despite the West Asia conflict breaking out. Now, as the conflict has eased and India's crude basket's price is coming off, the INR seems to be stabilising and the ensuing pressure of absorbing elevated fertilizer and crude prices on the fiscal health is easing. Post the sharp fall in crude prices, there are hopes that India's trade balance can rebound. With RBI offering to absorb the currency hedging costs on FCNR(B) deposits and temporarily removing the interest rate cap during the window ended September 2026, Fund Managers are expecting inflows to the tune of ~USD 50-70 bn, which could boost system liquidity while also further easing pressure on INR.
- **Urban demand continues to remain strong** with key indicators suggesting strong traction**.** Passenger Vehicle sales growth remains steady, and air passenger traffic is improving after registering a decline for 3 consecutive months despite higher travel costs. Urban employment is also seeing an uptick. Future implementation of the 8th Pay Commission, continued benefits of lower GST rates and higher disposable income due to controlled inflation could drive urban consumption over the medium-to-long term. Domestic consumer confidence has been reasonably robust but has seen a slight decline as issues around higher fuel prices and expectations of an uptick in inflation weighed down on sentiment. However, credit demand in the economy continues to remain strong, suggesting a strong growth impulse.
- **Weak monsoons add to the downside risk on Rural India's growth**. However, there is no visible impact on rural consumption yet as tractor sales and 2-wheeler demand continue to hold up. With temperatures expected to soar and a high probability of El Nino conditions, which leads to below-average rainfall, inflationary impulses could pick up in the rural economy which could weigh down on purchasing power and thereby demand. However, increased payouts under the VB-G RAM-G scheme, which replaces the MGNREGA scheme, could help absorb some inflationary pressure and support purchasing power.
- **While the Q4 FY26 earnings remained strong, Q1 FY27 may see adverse impact on margins** as cost of production rises due to elevated retail petrol/diesel prices and higher cost of raw material. IT sector guidance has been weak and a cause of concern. Fund Managers expect Nifty-50 earnings to grow by ~10-12% YoY in FY27 now, and margin pressures are expected to come off from H2 FY27 onwards as prices of crude and its derivatives normalise.
- The Valuations of Indian equity markets remain fair, with the Largecap indices trading below long term averages, and Smallcap indices' earnings growth potential supporting the premium multiples; while Midcap indices remain the expensive of the three. With expectations of improved liquidity conditions post the FCNR-B collections, there could be a case for further re-rating in companies that can show improved incremental growth potential.
- **As the West Asia conflict has been contained, energy prices are cooling off sharply. The OPEC too has announced production hikes, which could ease oil prices once the Hormuz traffic normalises. Additionally, a better-than-expected US-India trade deal could also act as a tailwind. Thus, investors could use the market volatility due to this event as an investing opportunity.**
- 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 and depreciated Rupee are likely to gradually make the Indian markets attractive for them. The FPIs' holdings in Indian markets have also fallen to recent lows which implies that they may not be willing sellers for long.
- **Investment deployment strategy could remain 60% lumpsum and rest 40% to be staggered over the next 3-4 months. Mutual Fund investors can look to focus on categories like Largecap, Flexicap, Multicap, Large and Midcap and Hybrid funds while using STPs as an instrument to invest in Midcap and Smallcap funds. Aggressive investors may also look at Business Cycle Funds for allocation. All allocations should be done in line with the risk profile and product suitability of the investor**.

US: Economy remains robust, rising inflation and hawkish Fed emerge as the new risk

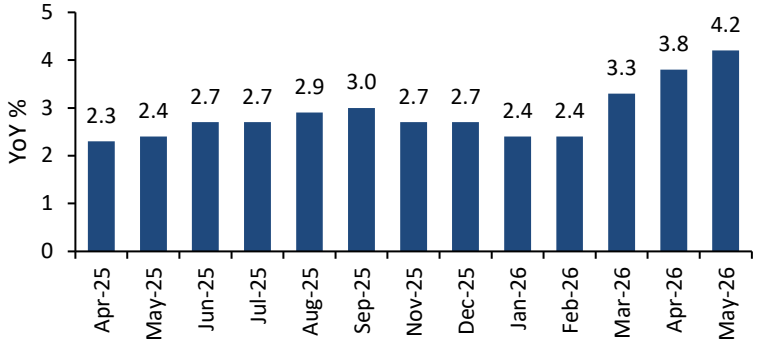
US Treasury yields inching down on back of ceasefire



Source: Bloomberg

US CPI

US inflation remains a concern



Source: Bloomberg

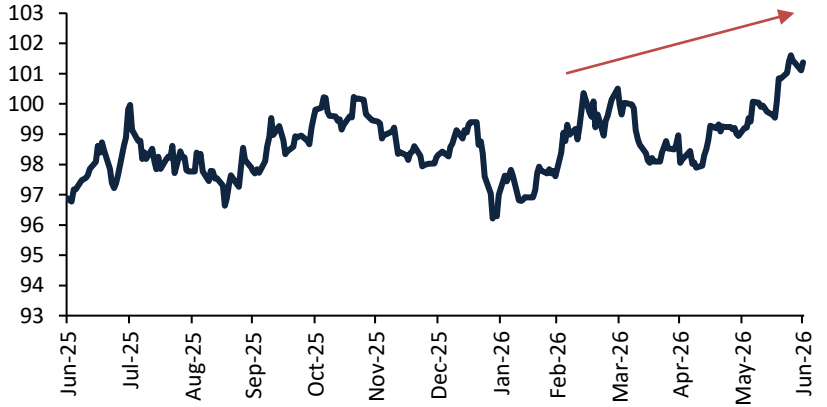
New Fed Chair sounds hawkish…

- New Fed chair Kevin Warsh emphasized the Fed's commitment to delivering price stability and its decision to leave rates unchanged.
- Warsh's approach was characterized by a focus on inflation, stating that the current inflation level was too high and that the Fed's goal was to achieve a 2% inflation target. His message was clear: the Fed was determined to address inflation and ensure economic stability.

Source: Media Article

US Dollar Index

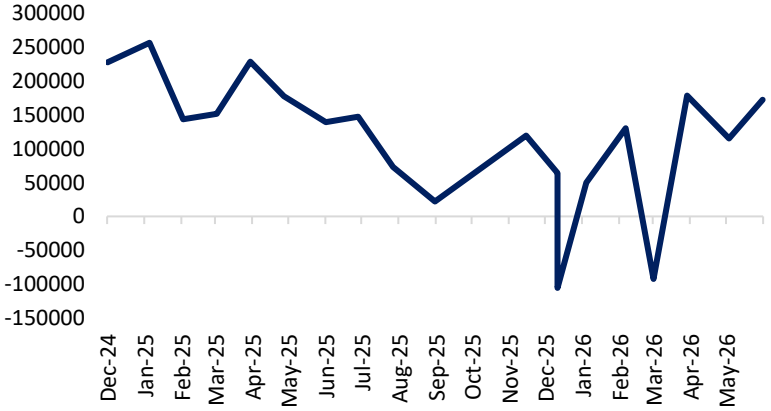
…leading to rise in Dollar Index



Source: Bloomberg

US Nonfarm Payrolls

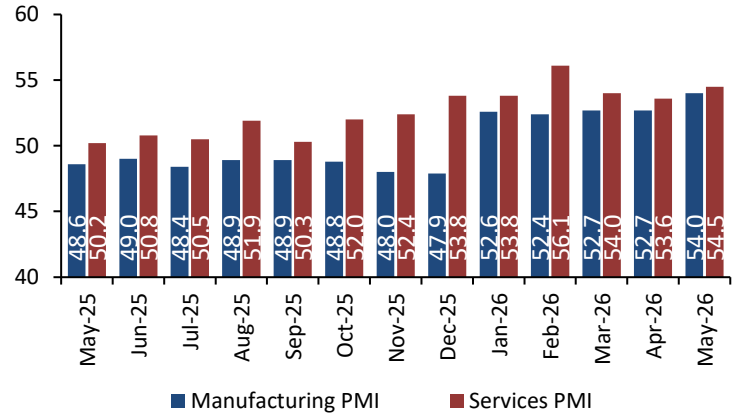
Numbers improving



Source: Bloomberg

US Manufacturing & Services PMI

Remains strong indicating the economy is improving



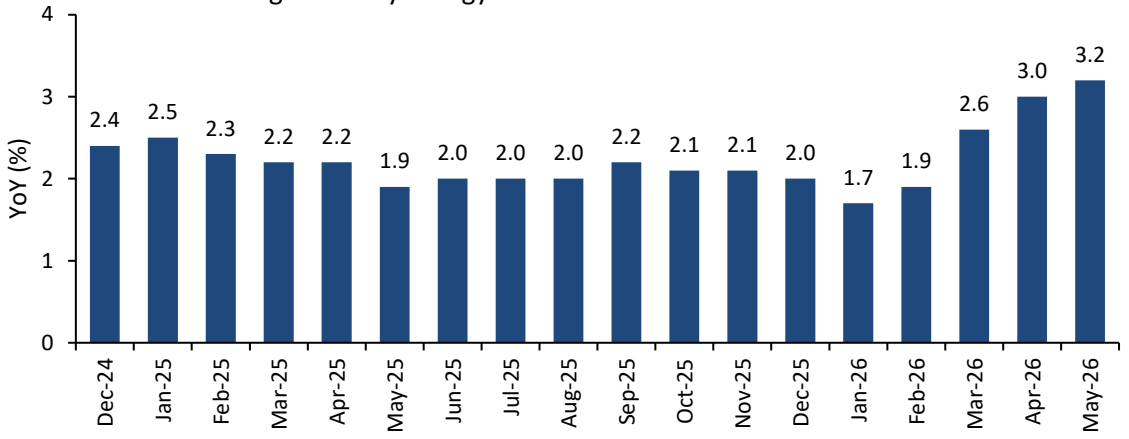
Source: Bloomberg

Classification - Restricted

Europe: Continues to show mixed picture with rising rates and weakening growth

Eurozone CPI

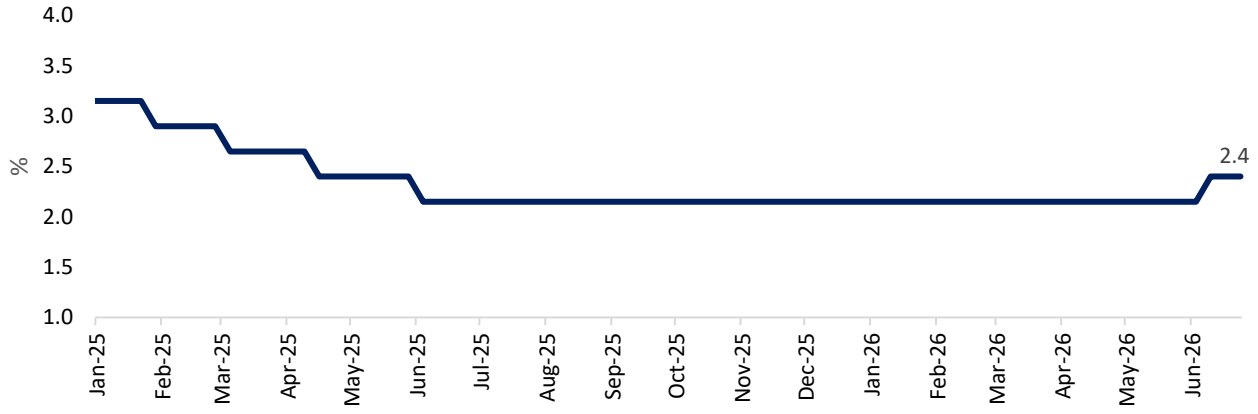
Inflation rising driven by energy shock…



Source: Bloomberg

ECB Main Refinancing Rate

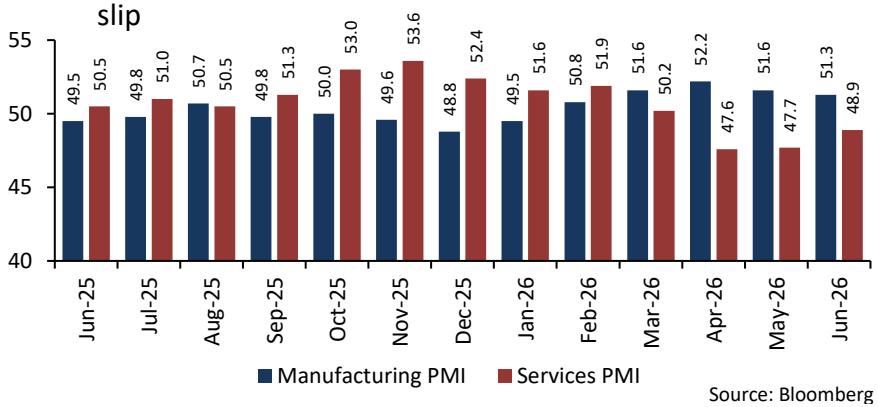
…Leading ECB to hike rates



Source: Bloomberg

S&P Global Eurozone PMI

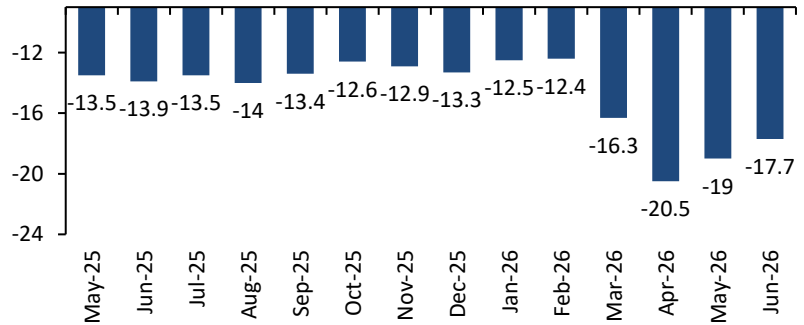
Manufacturing remains strong but Services continue to slip



Source: Bloomberg

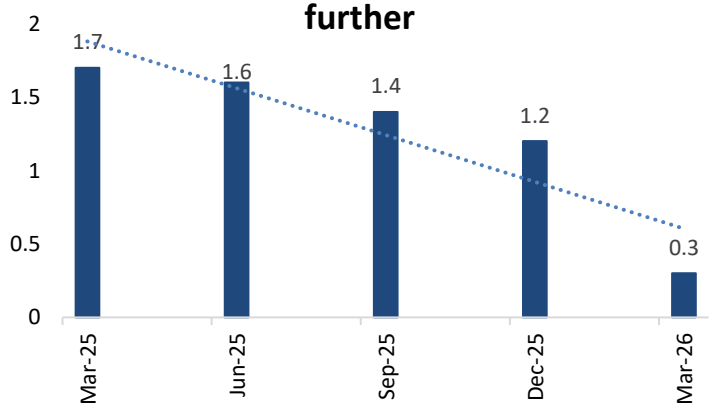
Eurozone Consumer Confidence Indicator

In the negative territory, suggesting weakness in consumer sentiments



Source: Bloomberg

Eurozone GDP growth weakened further



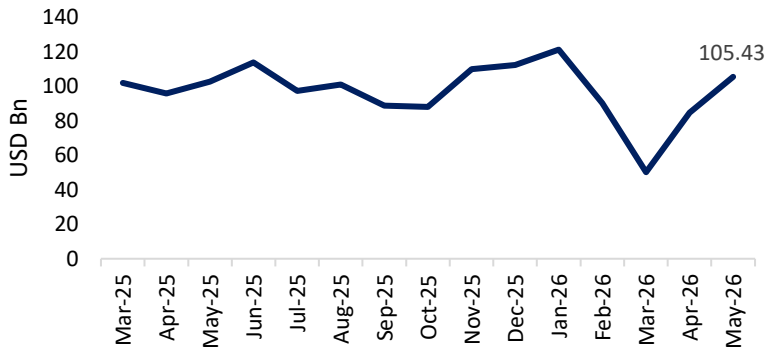
Source: Bloomberg

Classification - Restricted

China: Strong exports unable to hide the domestic weakness

China Trade balance

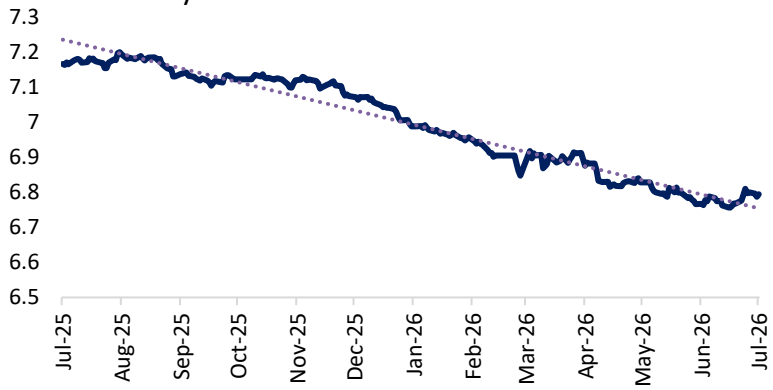
Strong export growth supports a healthy trade balance



Source: Bloomberg

USD/CNY

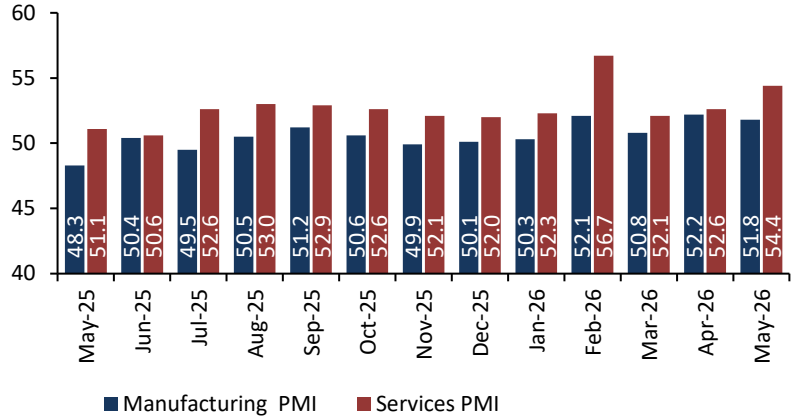
Strong trade balance leads to appreciation in Chinese currency



Source: Bloomberg

China Manufacturing & Services PMI

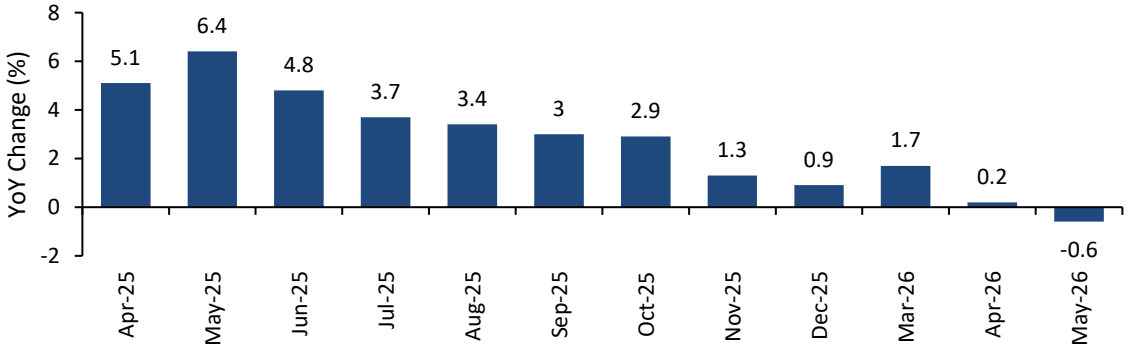
Remains strong



Source: Bloomberg

China Retail Sales

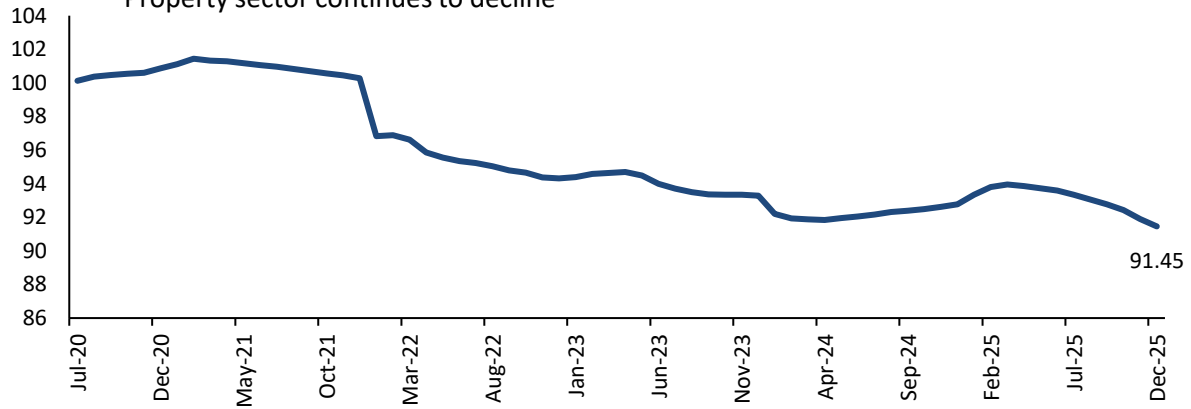
Retail sales remain weak, suggesting weakening consumption



Source: Bloomberg

China Real Estate Climate Indicator

Property sector continues to decline



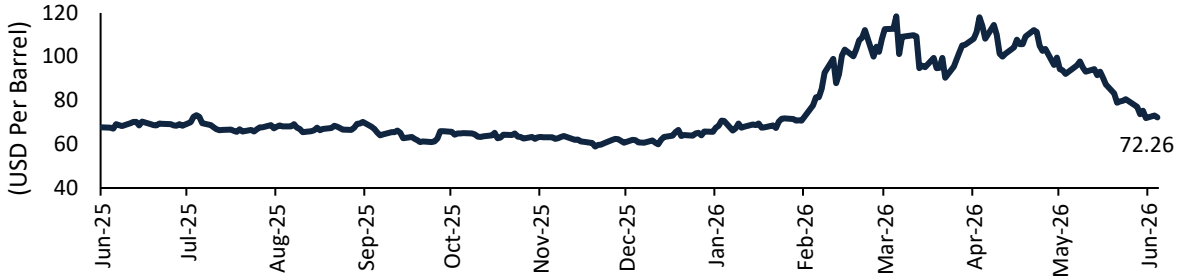
Source: Bloomberg

Classification - Restricted

Commodities: Cool off post the US-Iran ceasefire, while rising food inflation remains a key monitorable

Brent Crude

Crude prices cooled off sharply on the back of temporary ceasefire and have come back to pre war levels



Source: Bloomberg

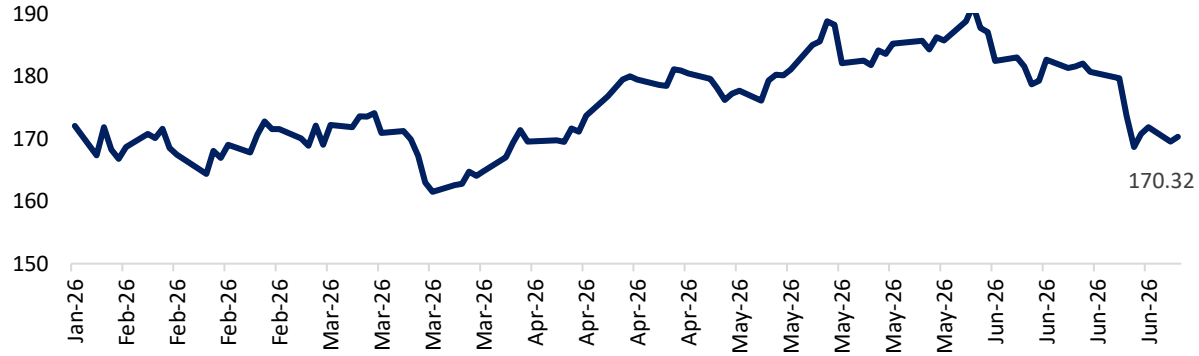
Gold Price

Declines as global central banks turn hawkish

Source: Bloomberg

Bloomberg Industrial Metals Index

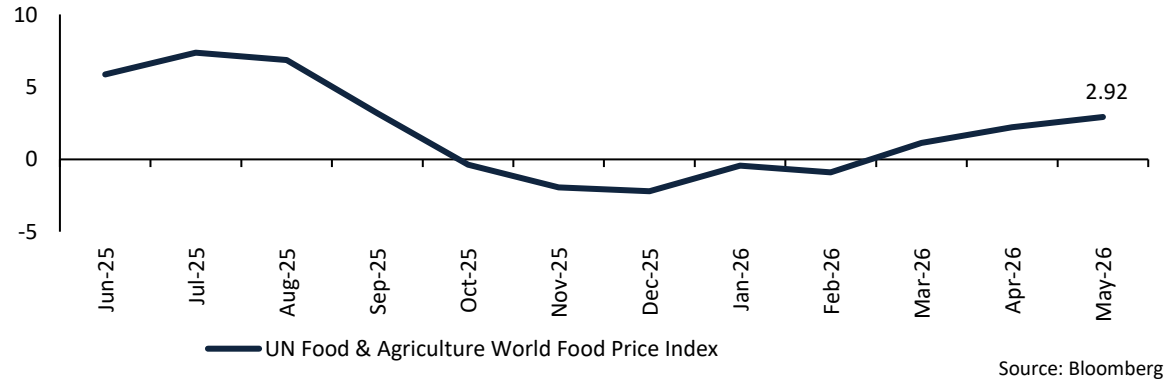
Cools off on back of expectations of rate hike in US and a stronger dollar



Source: Bloomberg

Food Inflation

Remains stable, though impact of El-Nino could gradually come in

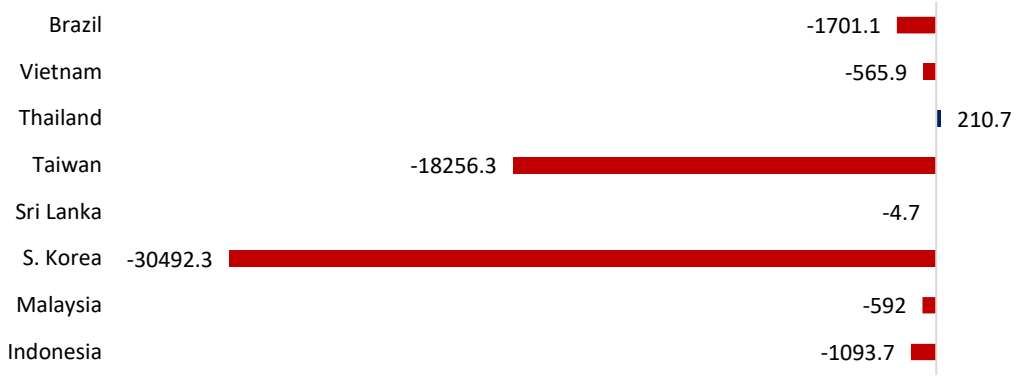


Source: Bloomberg

Classification - Restricted

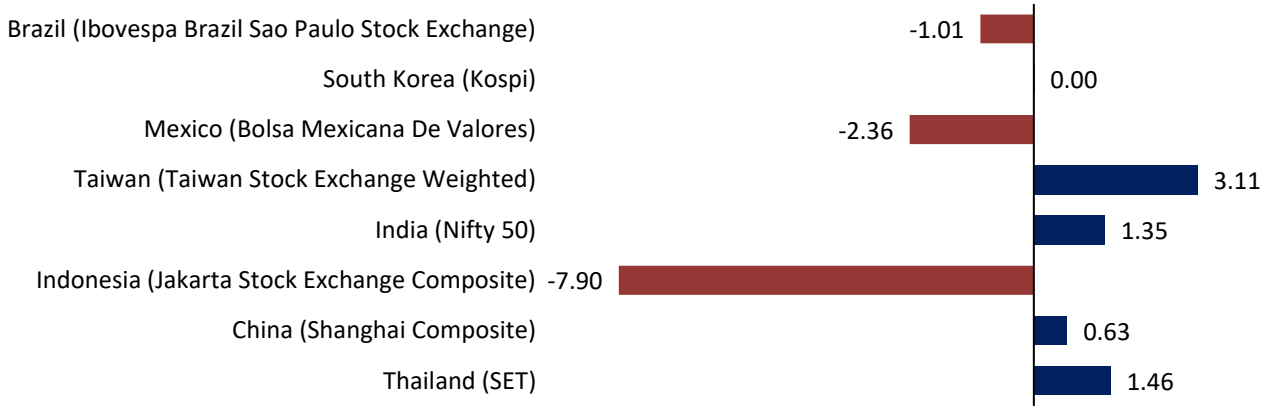
Emerging Markets: Outflows seen on the back of stronger Dollar Index, AI-trade plays remain at risk

Net Out Flows in Emerging Markets seen during June 2026 (USD Mn)



Source: Bloomberg

Emerging Markets - Absolute Returns of major equity indices in June 2026 (%)



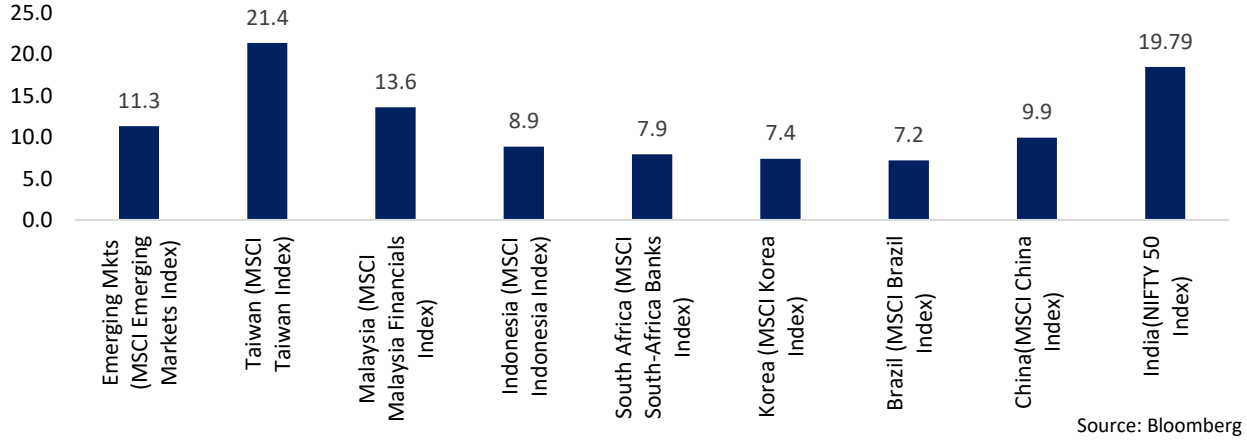
Source: Bloomberg

US Dollar Index

Increasing Dollar Index has led to outflows from Emerging Markets

Source: Bloomberg

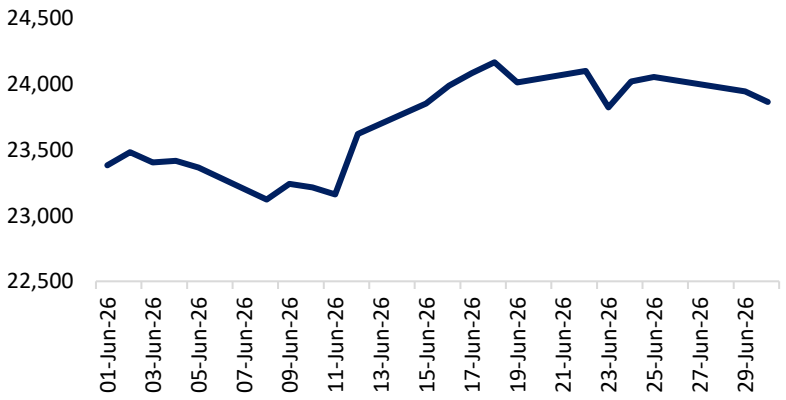
12M Expected Fwd PE of Various Economies



Source: Bloomberg

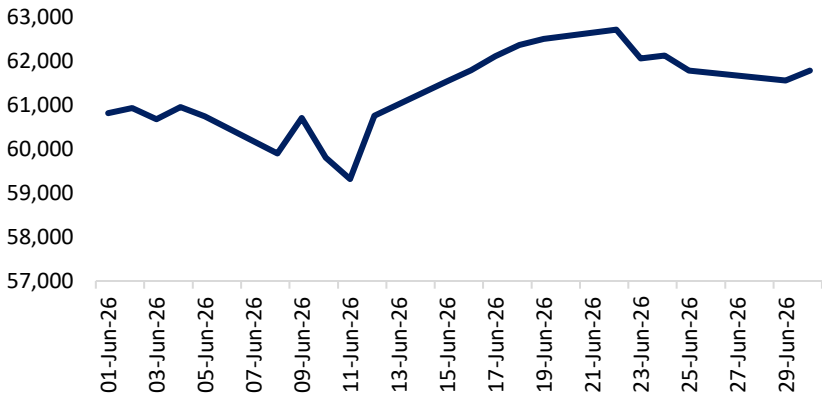
US-Iran ceasefire led to improved market sentiments, though overall FPI selling continues to remain a cause of concern

Nifty 50 price movement



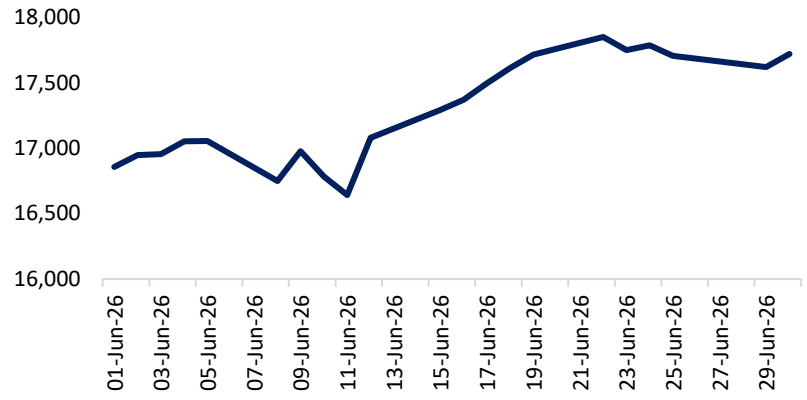
Source: Bloomberg

Nifty Midcap 100 price movement



Source: Bloomberg

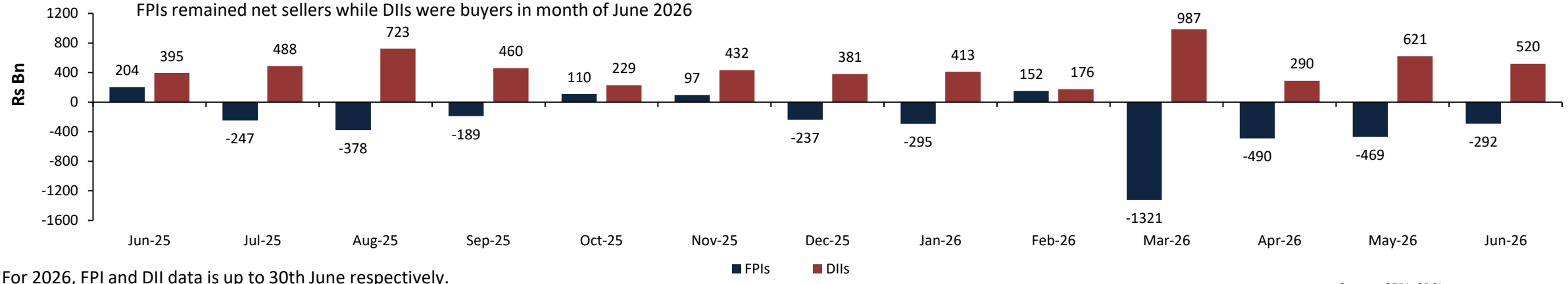
Nifty Smallcap 250 price movement



Source: Bloomberg

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

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



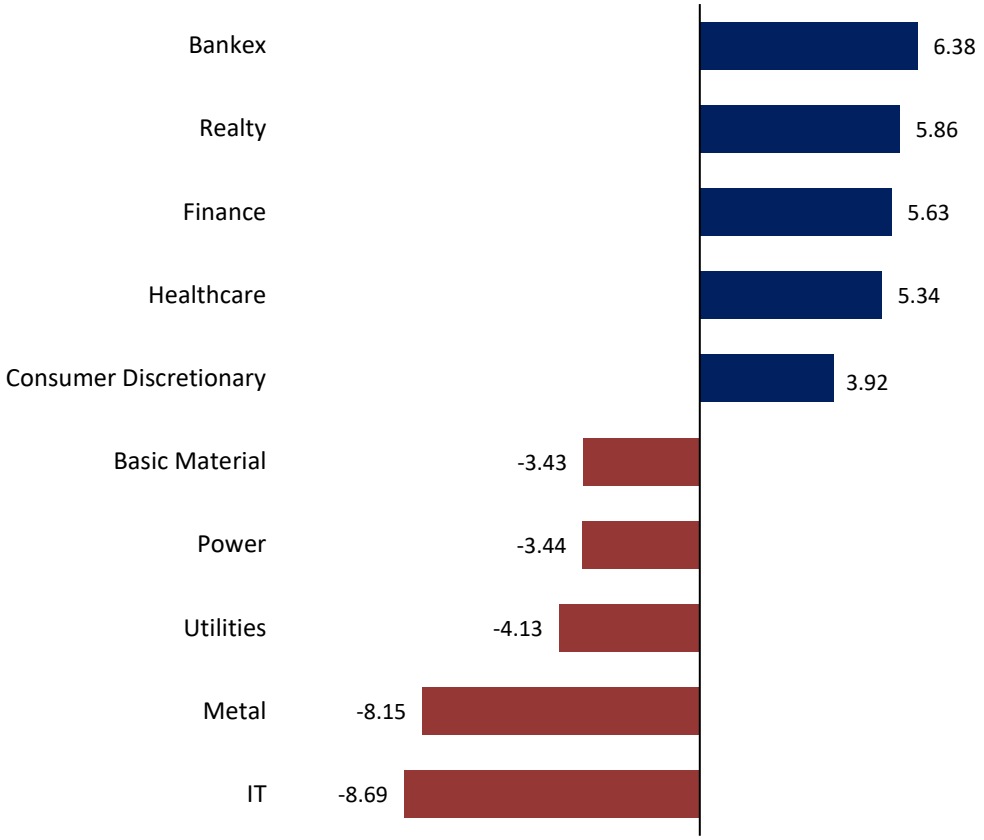
*For 2026, FPI and DII data is up to 30th June respectively.

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

Source: SEBI, CDSL

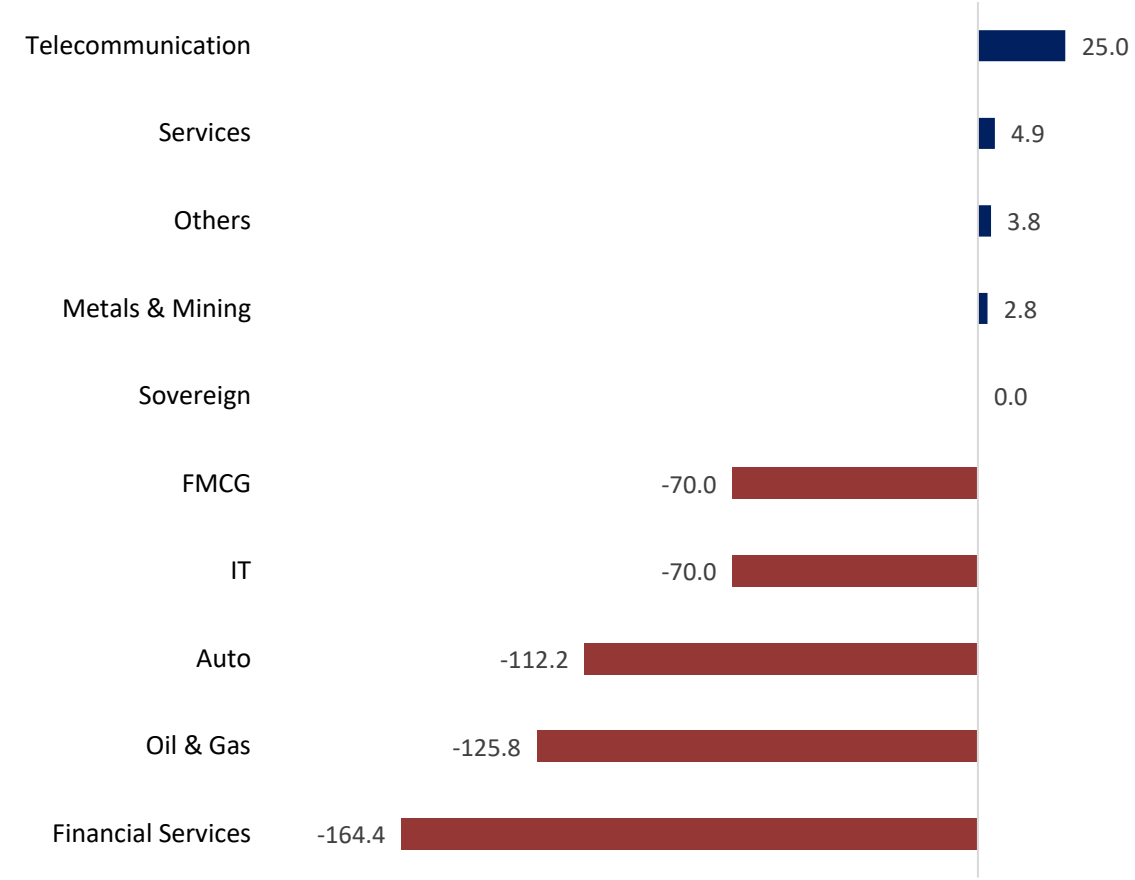
Sectoral performance and FPI flows in June 2026

S&P BSE Sectors - Absolute Return In June 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 May 16, 2026 till June 15, 2026



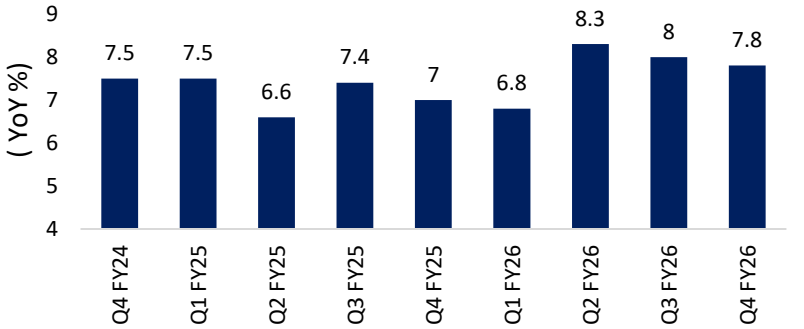
Source: NSDL

Classification - Restricted

Q4 FY26 GDP growth, at 7.8% YoY, held up despite the West Asia war

India Quarterly Real GDP Growth

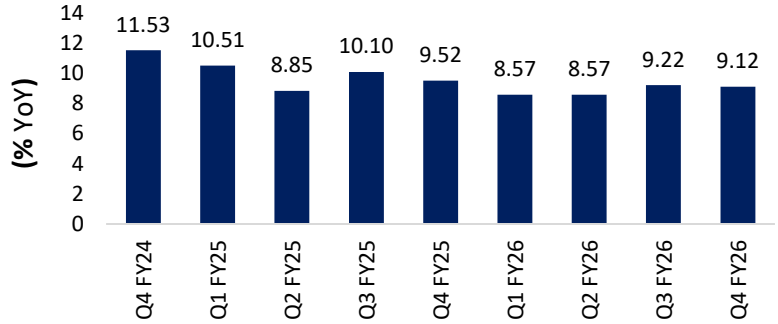
Q4 GDP remained robust despite the war induced supply-side shortages



Source: Bloomberg

India Quarterly Nominal GDP Growth

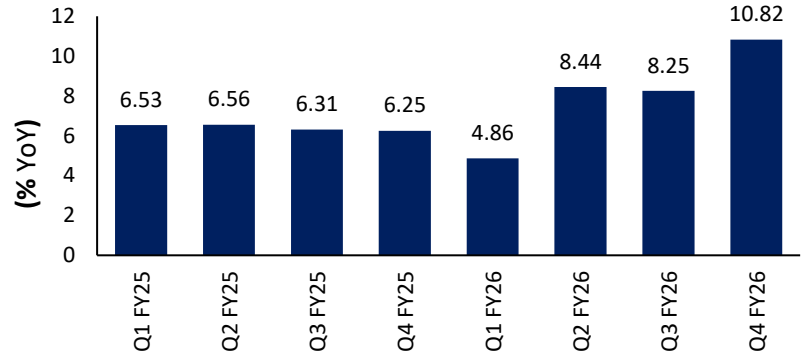
Benign inflationary conditions kept Nominal GDP growth in high single-digits



Source: Bloomberg

Gross Fixed Capital Formation

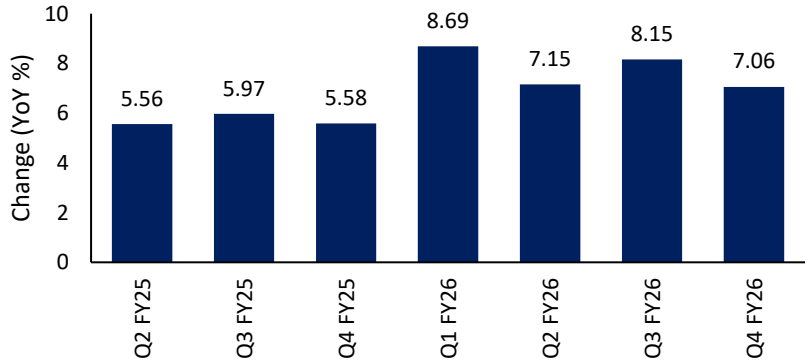
Momentum picking up



Source: Bloomberg

Private Final Consumption Expenditure

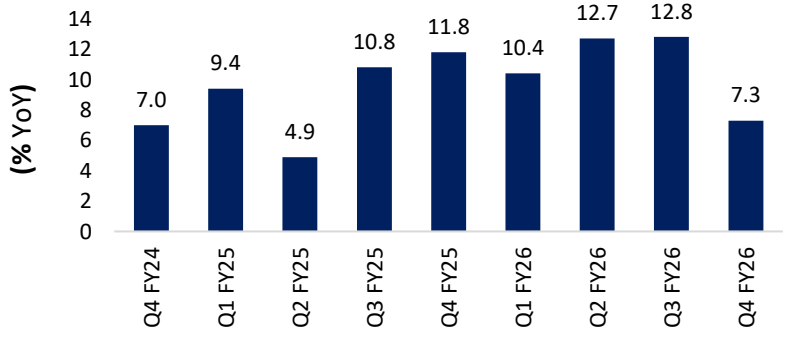
Higher crude prices and expectations of an inflation uptick kept consumption subdued



Source: Bloomberg

India Manufacturing Growth

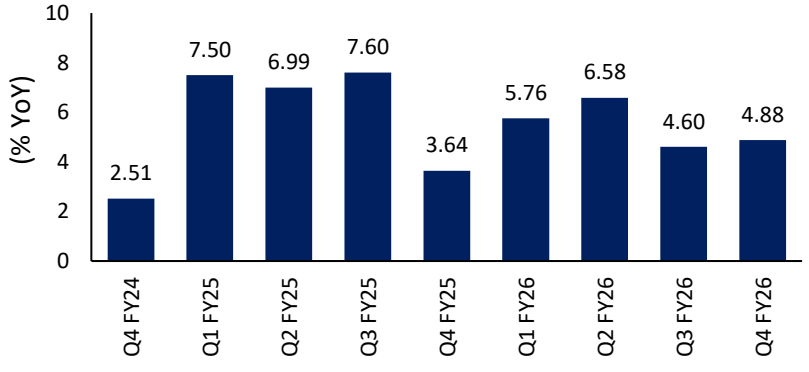
Supply-side constraints due to ruptured trade flow through the Strait of Hormuz kept manufacturing activity muted



Source: Bloomberg

Govt Final Consumption Expenditure

Remains stable

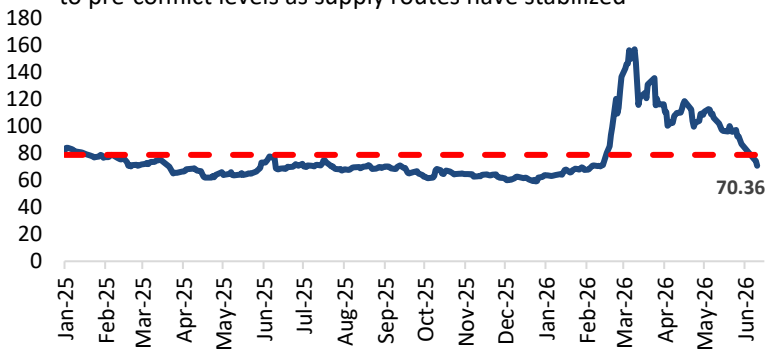


Source: Bloomberg

India Macros: Declining crude price and FCNR(B) led inflows to drive further macro stability

Indian Crude Basket

Following a severe spike earlier in the year due to geopolitical tensions in West Asia, the basket has significantly cooled down to pre-conflict levels as supply routes have stabilized



Source: Bloomberg

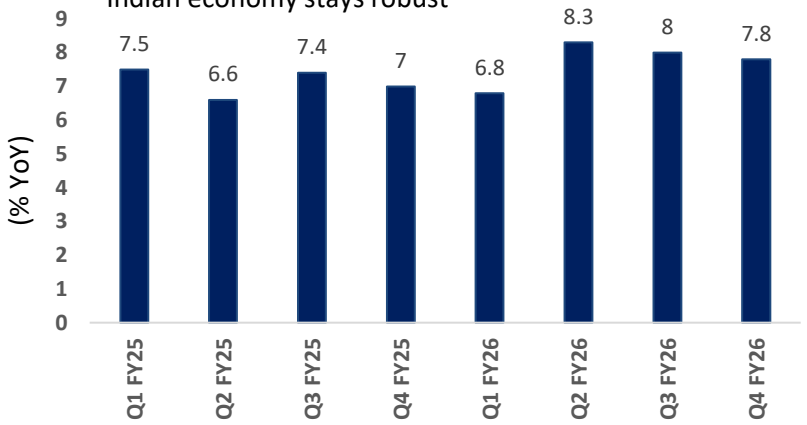
RBI announces measures to boost capital flows

- The government exempted FIIs from tax on any interest income from government securities, as well as capital gains arising from their sale, exchange or transfer applicable retrospectively from April 1, 2026.
- For government securities under the Fully Accessible Route (FAR), the universe of 'specified securities' was expanded by including all new issuances of 15-, 30- and 40-year tenor G-secs.
- Limits for investment by NRIs, OCIs, and PROIs in equity instruments traded on the stock market without SEBI registration are being increased.
- Facility of concessional forex swap provided till 30th September 2026 to incentivize ECBs by PSUs.
- Facility for bearing the full hedging cost shall be provided till 30th September 2026 to AD banks for raising fresh 3–5-year FCNR (B) deposits.

Source: RBI

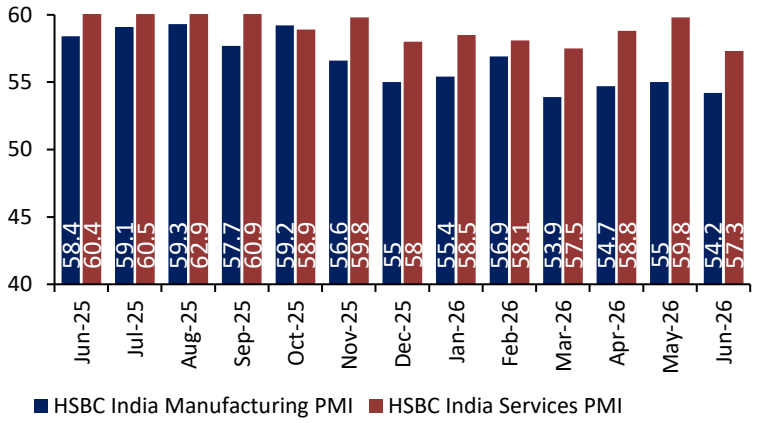
Real GDP Growth

Indian economy stays robust



Source: PIB

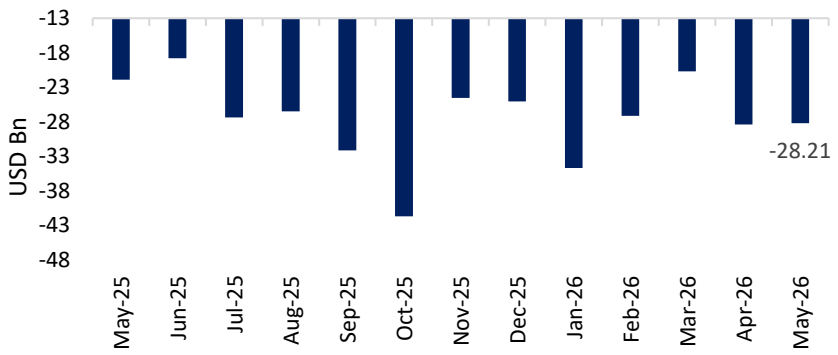
PMI showing strength



Source: Bloomberg

India Merchandise Trade Balance

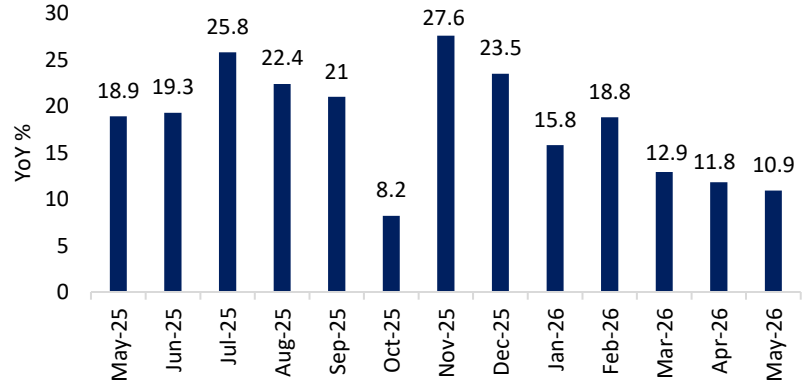
Trade balance narrowed marginally



Source: Bloomberg

E Way Bills

E-way bills continued to achieve double-digit growth



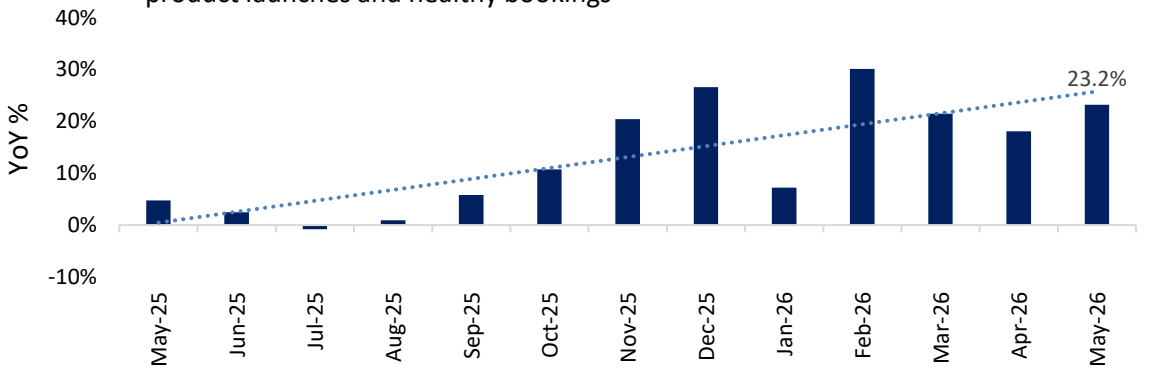
Source: RBI

Classification - Restricted

Urban Economy: Demand remains strong

Passenger Vehicle Registrations

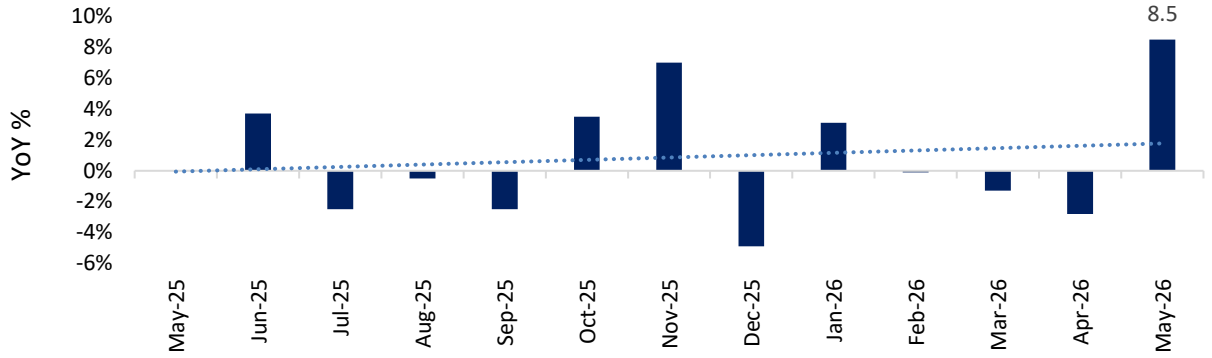
Growth in passenger vehicle sales accelerated with new product launches and healthy bookings



Source: Bloomberg

Domestic Passengers Carried By Airlines

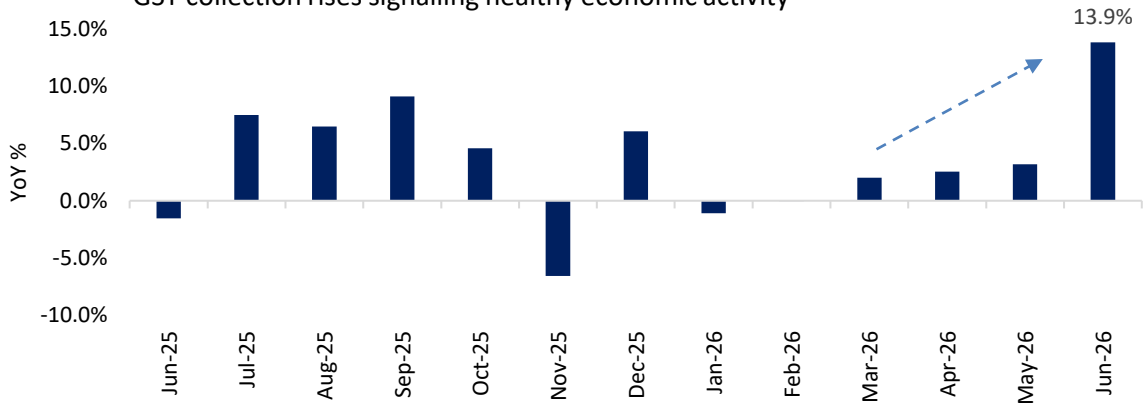
Showing signs of strength



Source: Bloomberg

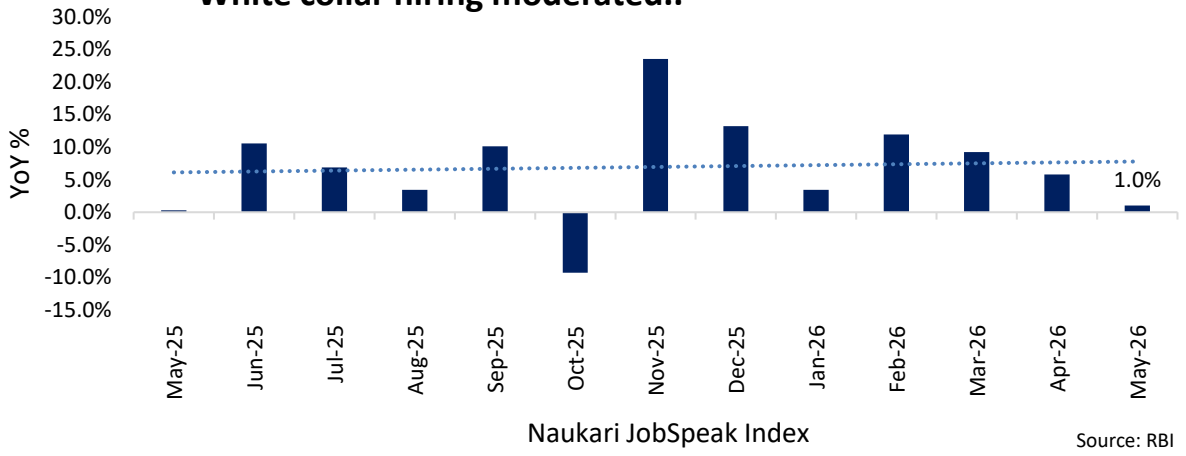
Gross GST Collection

GST collection rises signalling healthy economic activity



Source: Bloomberg

White collar hiring moderated..



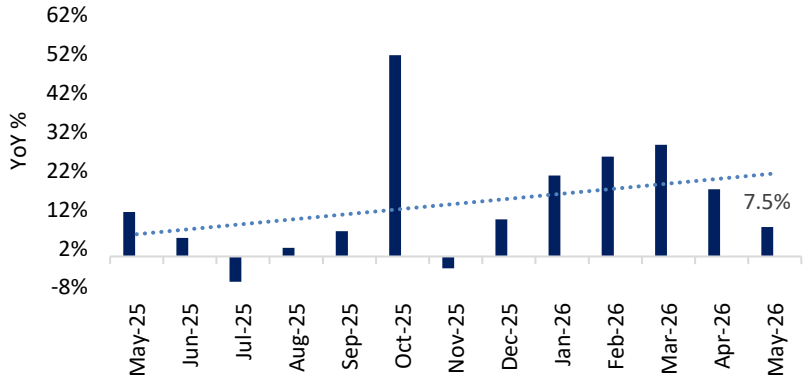
Source: RBI

Classification - Restricted

Rural Economy: Weak monsoon may dampen rural growth

Two Wheeler Sales

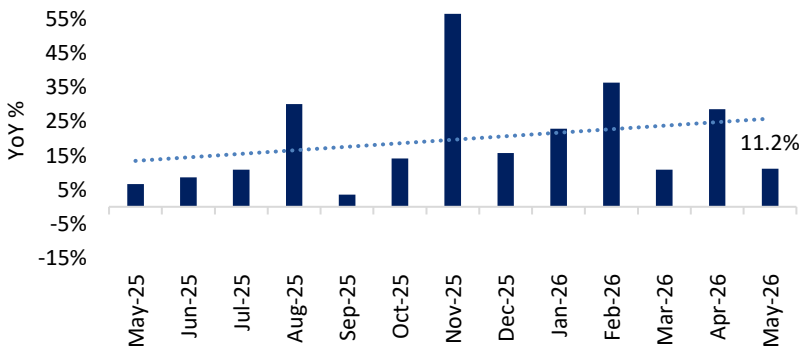
Two wheeler sales growth remains strong



Source: Bloomberg

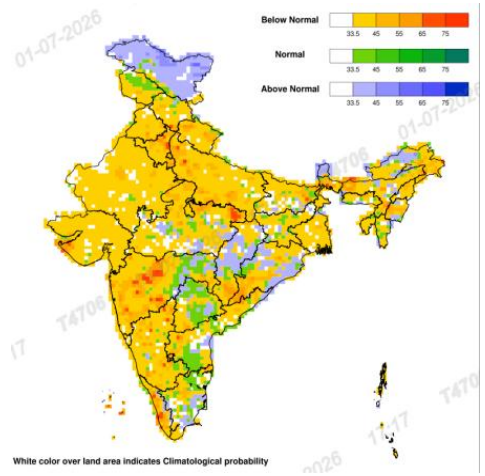
India Tractor Sales

Tractor sales growth continues in double digit



Source: Bloomberg

Weak monsoon adds risk to rural growth

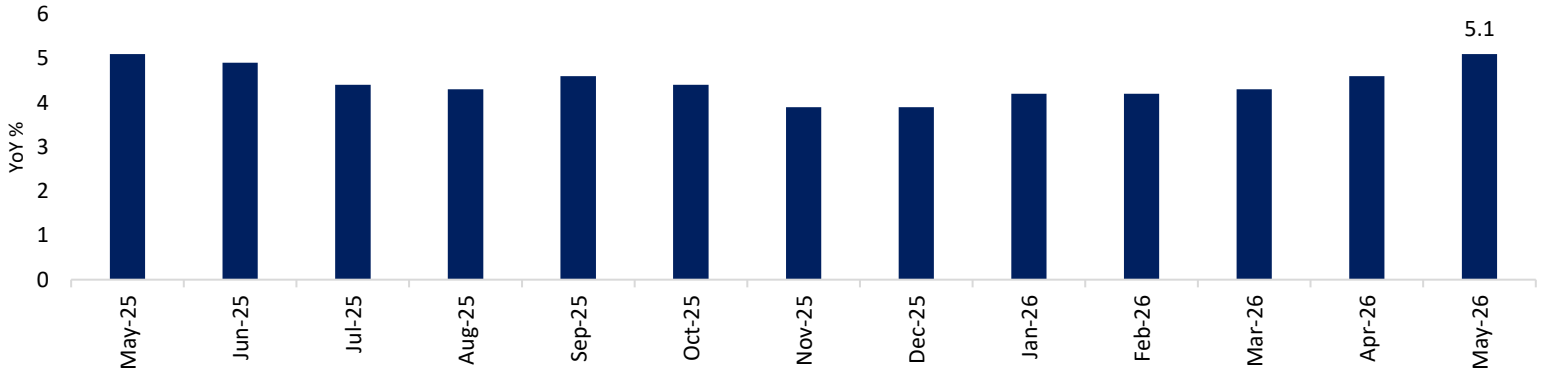


IMD: Rainfall over India — Monthly average rainfall over the country as a whole during July 2026 is most likely to be below normal (<94 % of long period average (LPA)).

Source: IMD

Rural Unemployment Rate

Unemployment inching up



Source: RBI

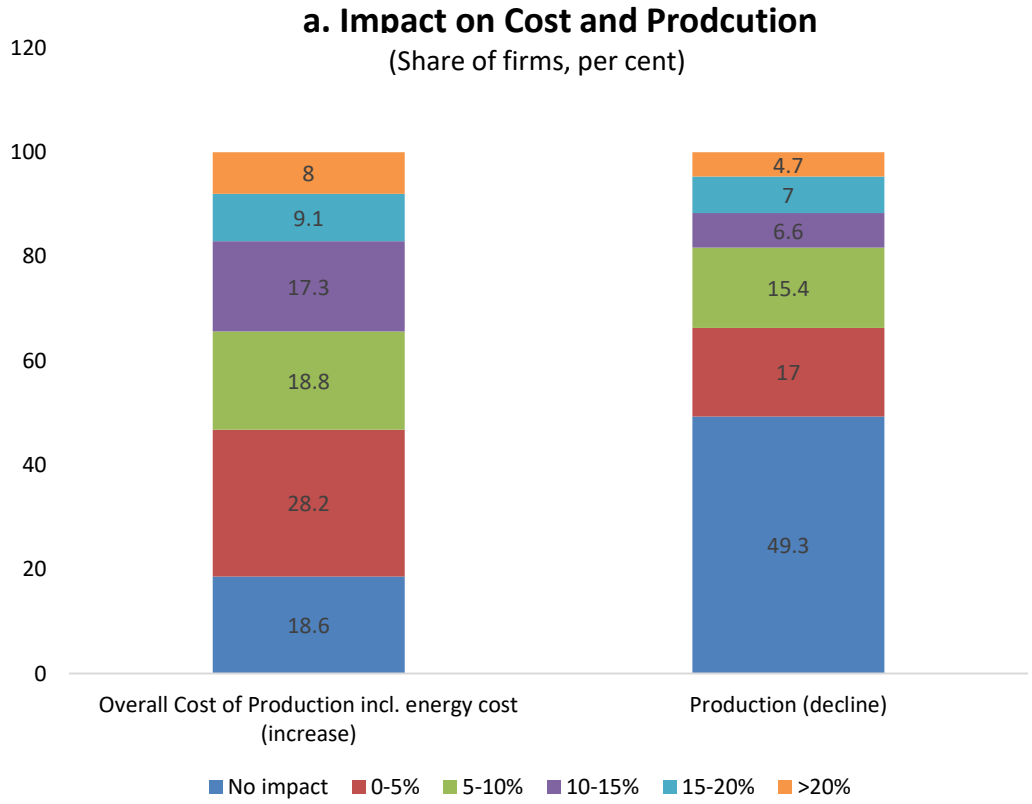
State Rainfall Map for June'26 indicates deficient rainfall

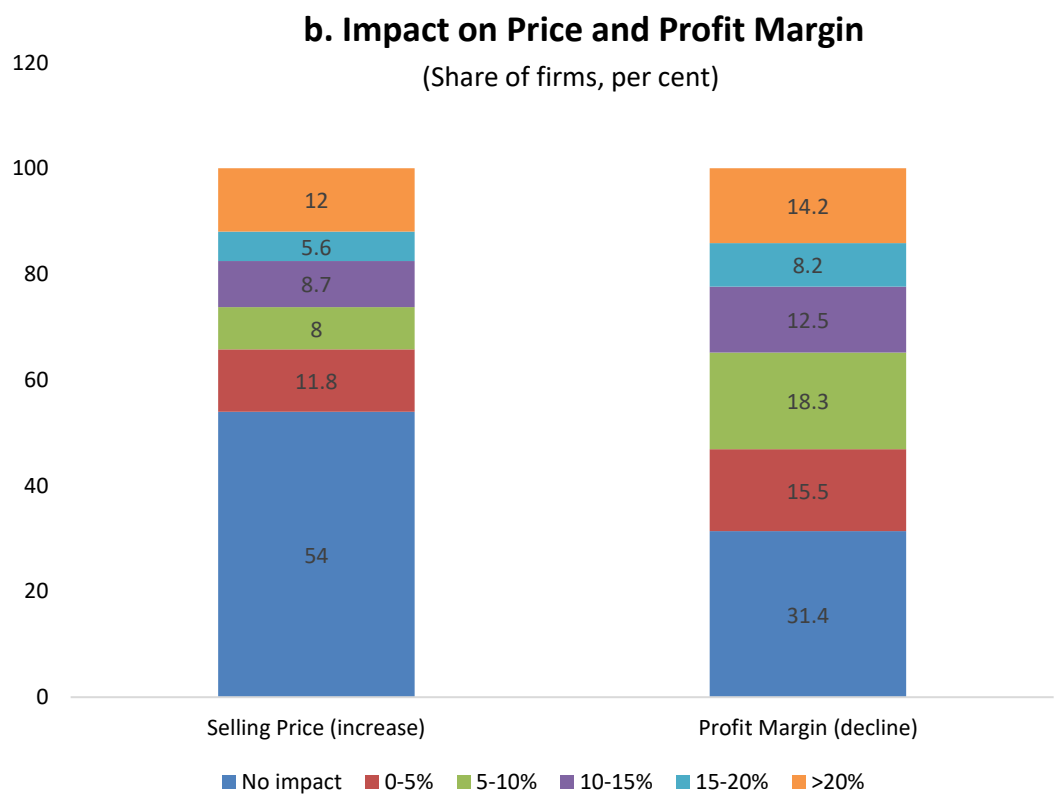
Source: IMD

Classification - Restricted

Q2-FY27 earnings can see impact on margins as cost of production is rising

Manufacturing Firms likely to face Headwinds from West Asia Conflict

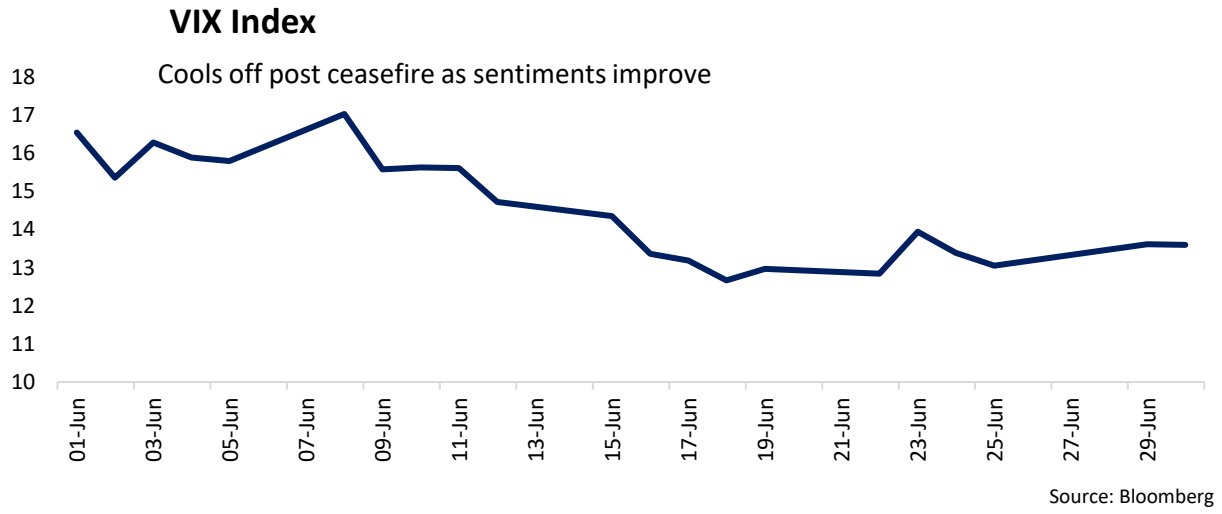


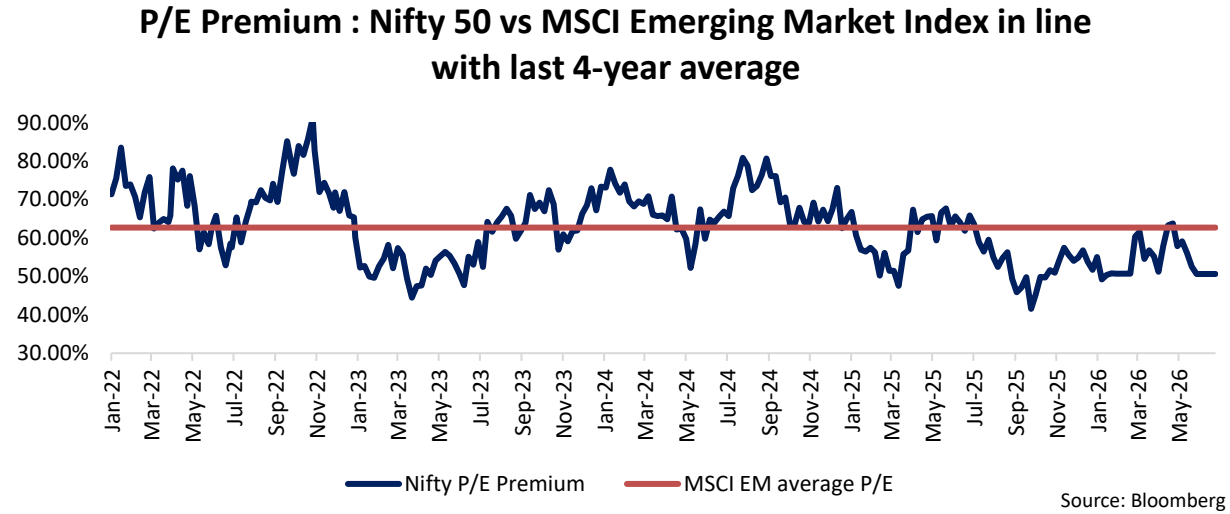


Source: RBI

Classification - Restricted

India: Valuations remain fair…with macro condition improving



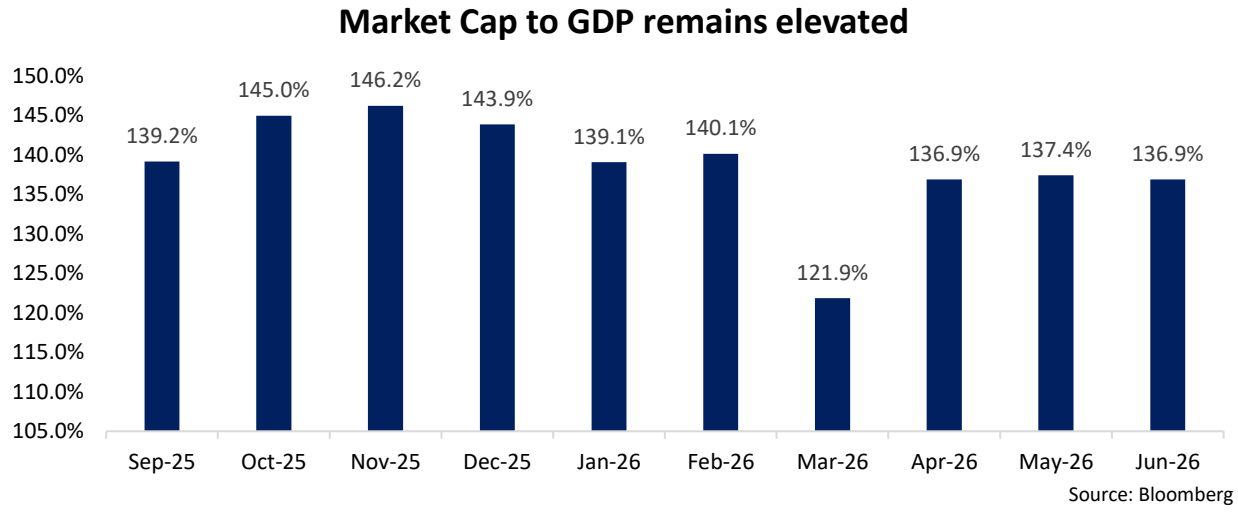


Valuations are reasonable for Largecaps; adjusted for earnings growth, Smallcaps also look reasonable while Midcap valuations are higher of the three.

Source: Bloomberg

Index	P/E FY27 (Est.)	P/E FY28 (Est.)	EPS FY27 (Est.)	EPS FY28 (Est.)	PEG FY28 (Est.)
Nifty 50	19.79	17.15	1214	1400	1.114
Nifty Midcap 100	30.69	25.17	2021	2465	1.147
Nifty Smallcap 100	26.03	20.66	728	917	0.795

Data as on 30th June 2026

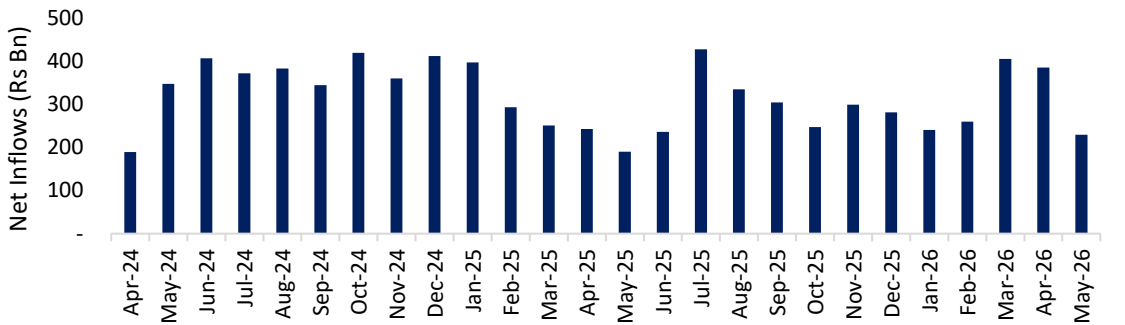


Classification - Restricted

Sustained Retail participation through Mutual Funds continues to support the market amidst relentless FPI selling

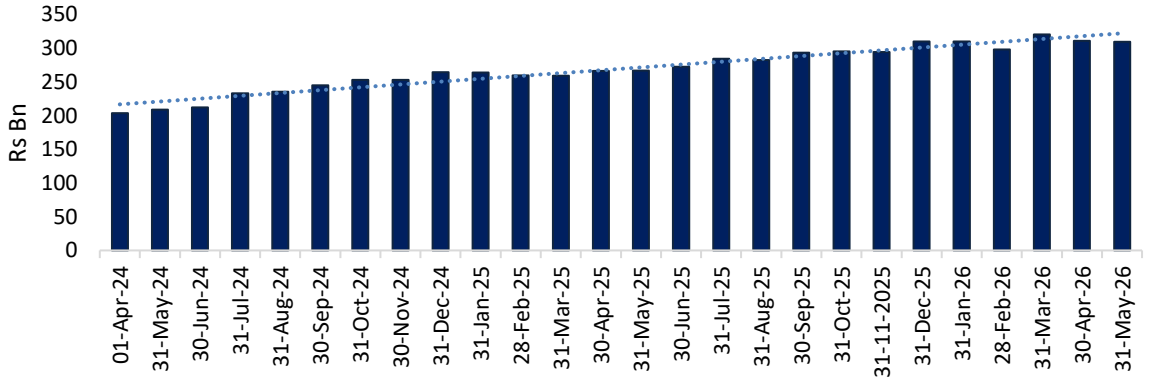
Pure Equity Funds Flows

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



Source: AMFI

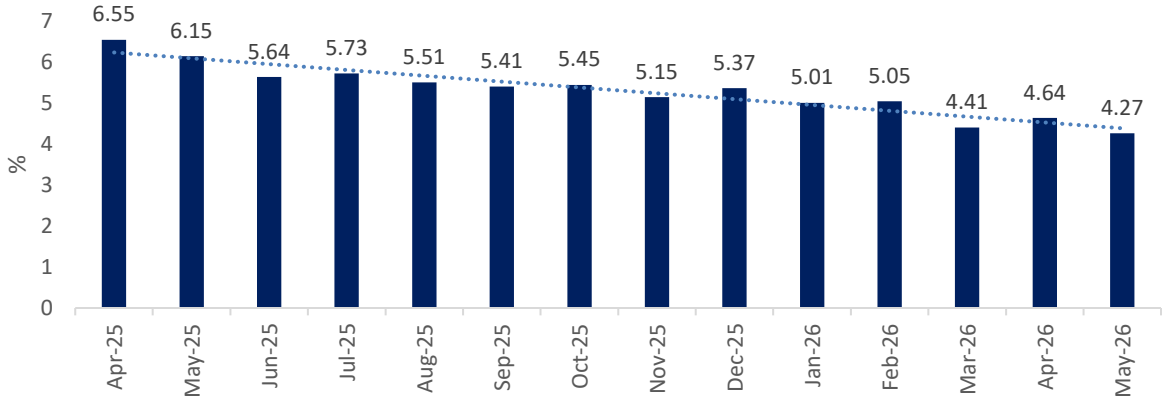
Monthly SIP contribution remains healthy



Source: AMFI

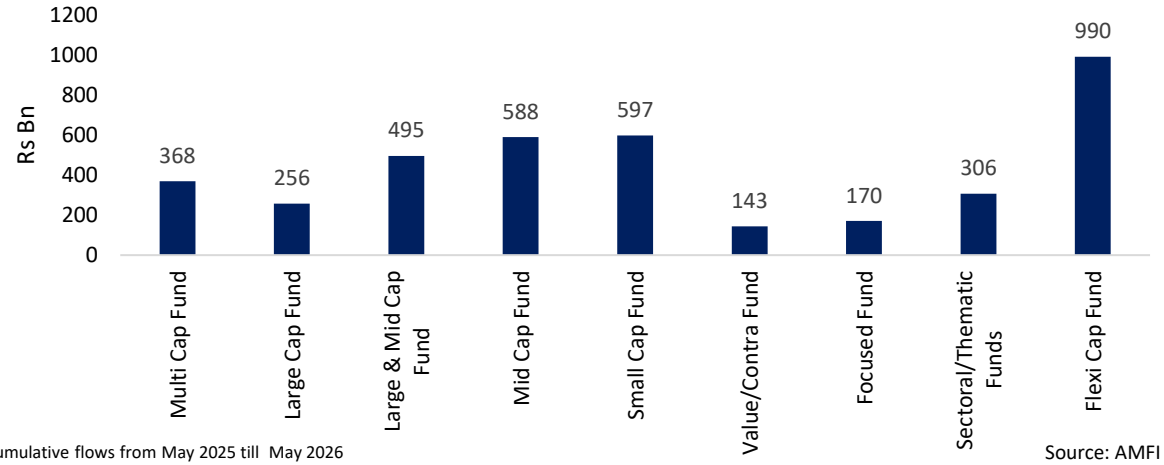
Mutual Funds Aggregate Cash Value

As valuations came off, MFs have deployed cash



Source: ACE MF

Category-wise Net Flows

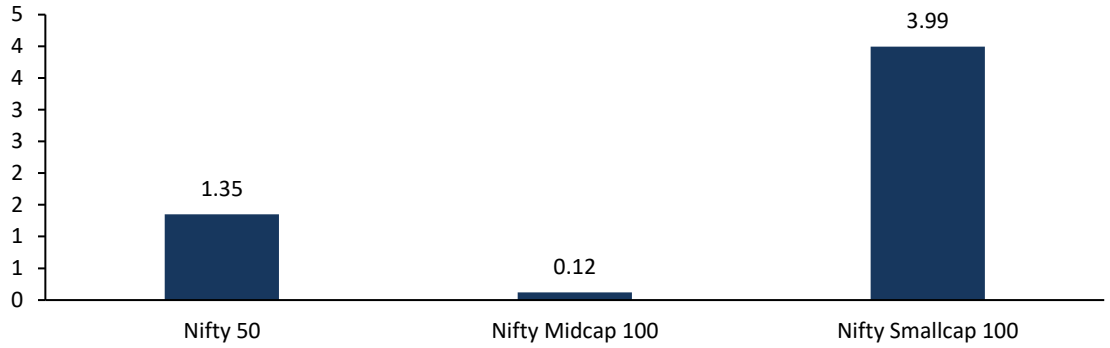


Cumulative flows from May 2025 till May 2026

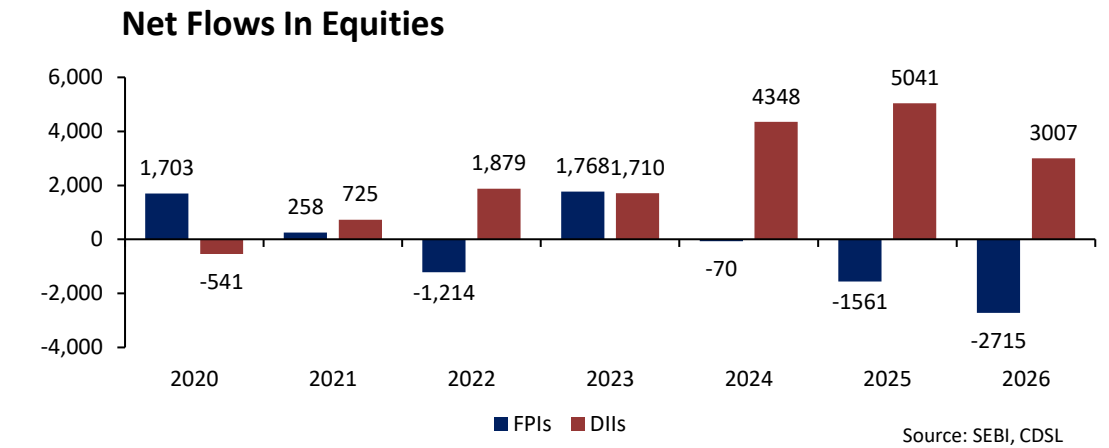
Source: AMFI

Market Roundup – June 2026

- Indian equities ended the month on a positive note. Large cap-oriented BSE Sensex ended higher by 2.3% (MoM) and Nifty 50 ended higher by 1.4% (MoM). While the BSE Midcap index ended higher by 1.4%(MoM) and BSE Small cap index ended higher by 5.3% (MoM).
- In terms of BSE sectoral indices, the sectors ended on a mixed note. Bankex, Realty and Healthcare were the outperformers during the month.
- During the month, FPIs were net sellers in equities to the tune of Rs 292 bn. (Data as on 30th June).
- Domestic equity markets ended the month on a positive note supported by easing geopolitical tensions and increasing optimism surrounding a potential US–India bilateral trade agreement. Markets were supported by a decline in global crude oil prices, as signs emerged that tankers stranded in the Gulf since the onset of the Iran conflict were beginning to transit through the Strait of Hormuz. This eased investor concerns over inflation and boosted overall sentiment.



Source: Bloomberg



Source: SEBI, CDSL

*For 2026, FPI and DII data is up to 30th June respectively.
**Net Flows In Equities is the sum total of flows in Stock Exchange and Primary market & others

Classification - Restricted

Key concerns for Indian equities

- Any fresh rise in hostility between US and Iran.
- Weak Monsoons on back of EL Nino.
- Higher slippage on the Fiscal Side.
- Tighter global liquidity conditions
- Tariff policy adopted by the Trump Administration with India in its trade deal

Annexure…

Sectoral outlook by fund managers – Part 1

Sector	Particulars
BFSI	**View –Positive** • Large cap, private sector banks are being preferred due to attractive valuations, Fund Managers are cutting underweights as FCNR(B) flows could act as a growth impetus. Some Fund Managers expect Midcap banks to deliver stronger growth than their larger counterparts. • In an inflationary environment, there is little scope for rate cuts which bodes well for Banking. RBI is taking measures to improve system liquidity. • The credit growth in the system is improving, which can act as a multiplier to deposit growth, but with a lag. The current deposit growth continues to lag credit growth. • NBFCs and Banks could benefit as FCNR deposits could improve liquidity at relatively lower cost. • Exchanges are the preferred play in the Capital Markets segment but valuations are expensive and a key risk is that proprietary trading volumes could come off as RBI has imposed stricter norms for Loans against Securities.
IT	**View – Negative to Neutral** • The growth expectations from Largecap names remain muted but they are emerging as a value play and funds are now looking to cut underweights. • The terminal value of players is now coming under question, given the topline deflation due to the AI overhang, and demand for higher efficiency-related discounts from clients could be detrimental for topline growth. Demand acceleration due to AI may be key upside risk. • Some Fund Managers have taken exposure to the names due to improved valuations and better cash flow yields. The strategy still remains to buy on dips and no aggressive stance is being seen.
Healthcare	**View – Neutral to Positive** • 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. Rising WPI also allows players to take price hikes which could be margin accretive. • Some Fund Managers favour CDMO players who may benefit from the weakness in INR vs. the USD. • Hospitals: Players that are expanding into new geographies are being preferred. There is shortage of beds in big cities. These are structural ~15% EBITDA growth businesses. They breakeven at ~55-60% utilisation rates, so efficiency is rewarded as free cashflows are needed to expand. • Diagnostics: The competitive intensity has come off and the industry has consolidated. Players have re-rated and going ahead, earnings delivery is expected to pick up.
Auto & Auto Ancillaries	**View – Neutral to Positive** • 4-wheelers: Despite macro challenges and elevated fuel prices, demand continues to remain robust. Fund Managers are concerned about the margins trajectory as higher Raw Material prices need to be passed on. Players face a high base post September 2026 and volume growth numbers could moderate thereafter. • 2-wheeler: The segment's performance remains strong but monsoons will remain a key monitorable. The EV space seems to be picking up post the recent rise in fuel prices, aided by model launches. Policy support for electric buses and 2-wheelers could also aid adoption. • Auto Ancillaries: Players who own unique technologies with proven capability are being preferred. The Tyres segmented is seen as a contra play.

Sectoral outlook by fund managers – Part 2

Sector	Particulars
Construction & Real Estate	**View – Neutral** • Low returns in Equity Markets may impact the demand in the luxury-related segment as per Fund Managers. Companies with strong land-banks and a mix of commercial and residential verticals yielding stable, recurring rental incomes are being preferred. Some are looking at Real Estate as a beta play. • Government's focus on infrastructure and investment cycle may be constrained higher subsidy burden but easing fiscal pressure, as crude prices come off, could be a positive. • Fund Managers prefer investing in this space through proxy sectors such as Cement and Steel. Paints could be a counter-cyclical play and volume growth remains a key monitorable.
Consumption	**View – Consumer Services – Neutral to Positive, Consumer Durables and FMCG- Neutral to Positive** • Staples: Volume growth has seen selective improvement but penetration levels remain high and companies are not willing to let go of their cyclically high margins. Players in the food segment faced gas shortages, which is easing as trade normalises through the Strait of Hormuz. However, the Fund Managers are also worried about the impact of potential El-Nino on rural demand. • Consumer Durables: El-Nino could be a positive factor for AC players and easing commodity prices and improving LPG availability could ease margin pressure. The impact on demand of passing on elevated raw material prices will need to be monitored. • Retail and Consumer Tech: In an inflationary environment, the SSG growth for Retail players may improve as they enjoy full pass-through and operating leverage plays out. Bottom-up Value Apparel Retailers, who are expanding to newer geographies are also being preferred. During times of inflation, smaller players may see their working capital requirements rise and the share might shift from the unorganised space to the organised space. QSR: Improving availability of gas could ease pressure. Jewellery: H2 FY27 onwards, the growth rates could optically look low and numbers might look weak due to base effect. Consumer Tech: The TAM is large but making money here will largely depend on the competitive landscape. Some platform players are seeing heightened orders from local kirana stores, who are ordering in bulk due to steep discounting on these platforms, to sell goods in their retail shops. This has artificially increased the order frequency and AOV for some players. **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 but fiscal stress due to higher subsidy burden could act as a headwind. Easing fiscal pressure as crude prices come off could act as a tailwind. • Prior to the war, the focus was on Energy Transition. This is now shifting to Energy Security. • Power T&D: The data centre capacity going from ~1 GW to ~10 GW is an opportunity and rising demand from manufacturing sector is also likely to keep power demand strong. • There are tailwinds from global power shortages and partly, from the AI story. **Valuations in the Power Capital Goods segment remains single biggest source of risk.** • Data Centres: There are no direct plays in the listed space and ancillary plays like Transformers, Wires and Cables and DC gensets are indirect plays. EMS: The assembly story in India has played out in the last 6-7 years and is done now. Now, players need to do backward integration.
Metals	**View – Positive** • Metals remain a tactical play. AI-led capex in the US, safeguard duties and China anti-involution to support.

Sectoral Movement

Absolute Monthly Return By Sector (%)

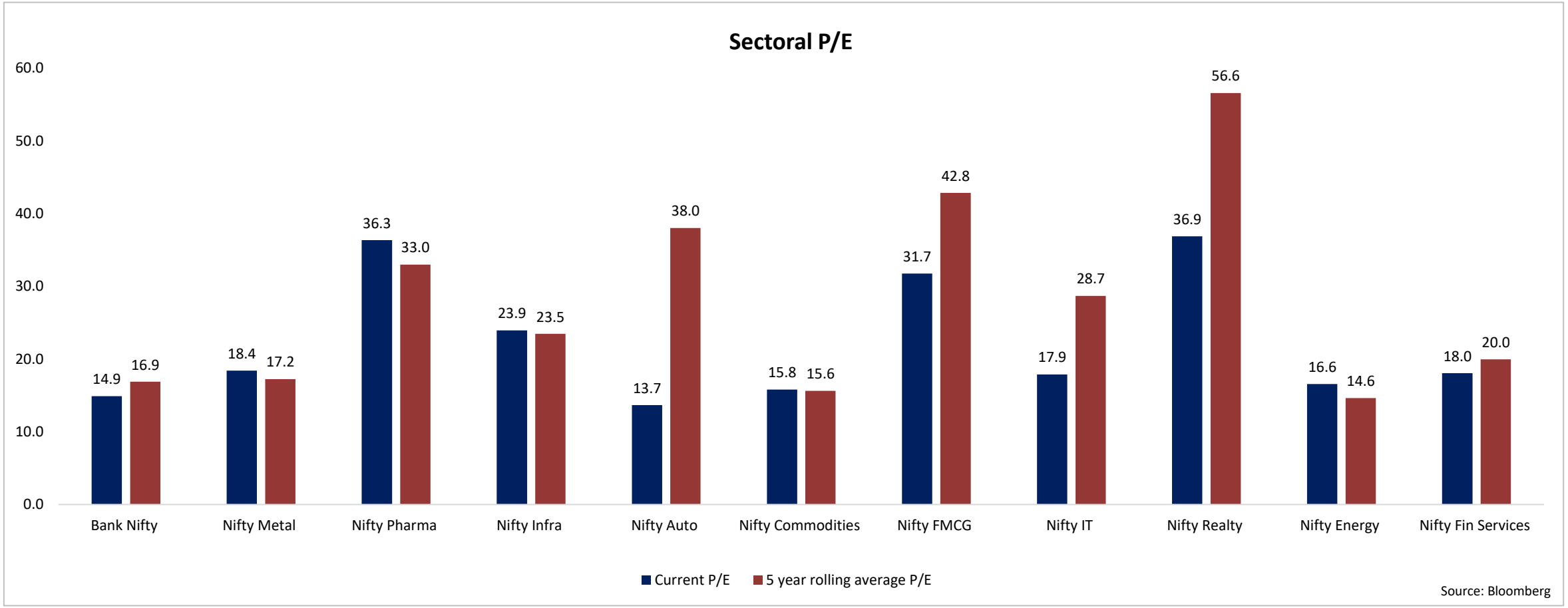
Index	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
BSE 500	**3.43**	**-2.87**	**-1.93**	**1.21**	**4.20**	**0.86**	**-0.25**	**-3.36**	**0.38**	**-11.40**	**10.36**	**-0.28**	**1.53**
Auto	2.24	-1.11	5.78	5.89	1.04	3.14	1.31	-5.20	4.95	-15.46	8.66	1.42	1.04
Bankex	1.62	-3.24	-3.34	2.48	5.56	3.10	-0.28	0.46	1.60	-16.96	9.06	-0.93	6.38
Basic Material	5.43	-1.38	-2.36	2.45	2.63	-3.41	4.06	1.38	1.08	-10.59	14.37	2.79	-3.43
Capital Goods	1.75	-5.66	-4.13	4.39	3.10	-1.70	-3.03	-0.66	5.68	-8.82	20.18	4.67	0.74
Consumer Discretionary	3.49	-1.47	2.52	0.96	1.91	-0.18	-1.42	-6.86	2.34	-12.98	12.03	0.27	3.92
Consumer Durables	3.17	-0.52	1.96	-4.85	4.97	2.16	-3.01	-7.79	6.98	-11.11	12.32	-2.39	3.37
Energy	3.09	-4.70	-3.87	4.22	5.82	-0.42	1.75	-2.54	2.99	-9.61	8.28	-4.34	-2.07
FMCG	-0.33	1.61	0.21	-2.44	2.75	-1.22	-0.31	-7.90	0.01	-10.49	12.62	-3.31	-0.43
Finance	3.43	-2.66	-3.82	2.34	4.78	2.30	-0.64	-1.79	0.88	-15.60	9.47	-1.35	5.63
Healthcare	3.88	2.51	-3.86	-1.25	3.38	0.80	-2.41	-5.60	6.22	-4.87	6.79	4.91	5.34
IT	3.33	-8.69	-1.07	-3.64	5.51	3.69	1.18	-0.33	-18.74	-6.15	1.72	-0.85	-8.69
Infra	2.72	-3.81	-4.75	4.44	3.21	-2.78	-1.27	-2.10	4.46	-9.73	15.61	-1.87	-0.12
Metal	3.04	-2.56	-1.61	9.43	5.64	-2.89	7.91	5.52	4.07	-8.93	14.61	3.72	-8.15
Oil & Gas	3.10	-3.84	-4.69	5.36	6.43	-1.51	1.78	-2.07	5.27	-13.64	8.31	-3.40	-2.66
Power	1.95	-3.45	-4.56	5.04	3.14	-4.51	-1.66	-1.70	8.99	-4.23	22.25	2.78	-3.44
Realty	3.84	-7.33	-4.48	-0.36	9.20	-4.69	-2.96	-10.34	-0.58	-16.83	21.43	-0.20	5.86
Telecom	6.10	-7.79	-4.48	0.48	7.22	2.40	1.87	-4.73	0.02	-9.04	13.63	15.80	2.23
Utilities	2.95	-2.20	-4.47	5.11	3.18	-5.57	-0.96	-2.42	7.41	-3.40	19.98	-0.92	-4.13

The abovementioned sectoral indices pertain to the BSE universe

Colour scales assigned vertically

Source: Ace MF, HDFC Bank Research

Sectoral valuations have improved vs. their long-term averages



Source: Bloomberg

Classification - Restricted

Current 1-year forward P/E multiples of countries vs. their 5-year average 1-year forward P/E

Country	Index	Curent 1-year fwd. EPS	Curent 1-year fwd. P/E	5 year avg 1-year fwd. P/E	Current year Expected Book Value	ear fwd.	TTM ROE
USA	S&P 500	339.14	22.07	21.60	1451.47	5.2	20.19
USA	Nasdaq	899.47	28.95	31.67	3718.99	7.0	19.63
Europe	Stoxx 600	40.67	15.81	14.46	278.93	2.3	12.65
UK	FTSE 100	802.60	13.12	12.06	4808.10	2.2	13.28
Germany	DAX	1530.89	16.50	13.93	13066.83	1.9	10.26
France	CAC	552.14	15.22	14.15	4285.05	2.0	9.25
Japan	NIKKEI 225	2864.19	24.00	20.55	23077.06	3.0	11.98
Australia	ASX 200	496.71	17.56	17.14	4254.63	2.1	11.57
Singapore	STI Index	321.86	16.21	12.72	3108.25	1.7	9.85
Hongkong	Hengseng	2201.65	10.47	10.65	20759.30	1.1	9.79
India	Nifty 50	1213.60	19.92	21.52	8694.47	2.8	14.95
China	Shanghai Composite	281.94	14.29	12.63	2879.17	1.4	7.96
Brazil	BOVESPA	20155.19	8.52	8.19	124381.45	1.4	13.35
Korea	Kospi	931.87	8.21	11.72	3814.78	2.0	10.51
Mexico	IPC	5105.72	13.17	13.08	29401.02	2.3	15.21
Philippines	PCOMP	642.69	9.53	13.25	5198.14	1.2	11.64
Turkey	XU100	2906.05	4.98	4.95	21668.00	0.7	8.64
Thailand	SET	99.04	16.09	15.55	1019.81	1.6	8.56
Vietnam	VN30	173.31	11.59	10.96	1059.11	1.9	16.81
Indonesia	JCI	690.63	8.32	14.88	48023.66	0.1	12.08

Data as on 30th June, 2026

Source: Bloomberg

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	7.15%	30.34%	7.38%	8.60%	5.65%	6.18%	3.97%	6.41%	0.12%	11.31%	0.09%	6.89%	3.73%	0.25%	1.93%
360 ONE MF	5.87%	30.51%	18.23%	4.24%	4.66%	12.22%	0.31%	2.97%	0.00%	3.14%	0.00%	5.90%	10.27%	0.00%	0.07%
Abakkus MF	6.44%	28.84%	14.58%	6.61%	2.35%	7.63%	3.54%	3.59%	0.00%	4.48%	0.23%	8.18%	2.33%	0.31%	0.83%
Aditya Birla SL MF	8.50%	29.36%	6.74%	7.68%	5.74%	9.08%	3.28%	8.15%	0.00%	7.14%	0.08%	6.93%	2.42%	0.52%	2.16%
Axis MF	9.34%	25.19%	11.98%	8.14%	3.19%	8.50%	3.52%	4.06%	0.00%	4.16%	1.92%	9.93%	2.85%	0.57%	1.61%
Bajaj Finserv MF	10.10%	23.87%	13.60%	5.99%	3.86%	11.83%	1.91%	1.65%	0.44%	5.16%	0.20%	12.56%	1.94%	3.95%	0.95%
Bandhan MF	4.08%	29.32%	6.71%	6.72%	4.59%	7.63%	6.03%	5.50%	0.31%	6.57%	0.82%	8.70%	2.80%	1.10%	2.82%
Bank of India MF	7.02%	21.06%	14.03%	11.88%	5.27%	8.95%	2.81%	1.42%	0.51%	6.37%	0.15%	10.16%	2.84%	1.54%	2.67%
Baroda BNP Paribas MF	8.82%	24.02%	11.44%	8.39%	4.99%	6.10%	2.70%	6.59%	0.00%	8.88%	0.27%	9.83%	2.69%	0.00%	1.17%
Canara Robeco MF	7.65%	28.26%	9.02%	5.37%	5.87%	13.41%	3.62%	5.57%	0.06%	4.74%	0.26%	7.37%	2.95%	0.30%	1.81%
Capitalmind MF	5.77%	15.30%	13.40%	16.60%	5.09%	2.92%	0.00%	0.00%	0.00%	10.13%	0.00%	17.38%	2.37%	0.00%	2.94%
DSP MF	9.57%	28.91%	8.29%	7.35%	3.02%	5.98%	3.27%	4.99%	0.00%	5.89%	0.30%	10.36%	3.30%	0.64%	0.57%
Edelweiss MF	8.05%	28.49%	13.74%	9.05%	4.45%	6.98%	3.13%	5.06%	0.00%	4.86%	0.07%	9.07%	2.47%	0.78%	0.90%
Franklin Templeton MF	5.56%	25.84%	11.09%	6.81%	3.38%	10.26%	4.16%	6.89%	0.00%	7.95%	0.17%	6.89%	3.14%	0.55%	2.30%
Groww MF	13.09%	36.95%	13.75%	7.19%	0.60%	1.42%	3.97%	2.61%	0.00%	0.76%	1.39%	4.37%	1.70%	0.00%	1.88%
HDFC MF	10.71%	29.36%	6.56%	5.02%	3.70%	7.74%	2.78%	5.23%	0.21%	4.68%	0.08%	11.33%	2.88%	0.51%	3.36%
Helios MF	6.19%	34.03%	11.49%	3.76%	2.86%	10.89%	5.78%	0.86%	0.53%	5.21%	0.00%	6.52%	2.19%	1.59%	6.45%
HSBC MF	5.10%	28.13%	19.73%	7.23%	5.34%	8.11%	4.10%	2.98%	0.00%	5.34%	0.08%	7.11%	1.08%	2.31%	1.35%
ICICI Pru MF	9.29%	26.98%	6.31%	6.94%	4.73%	7.92%	4.83%	7.45%	0.12%	8.24%	0.15%	7.06%	2.77%	0.67%	2.57%
Invesco MF	4.85%	28.71%	11.33%	4.08%	1.06%	13.14%	7.52%	5.27%	0.00%	2.31%	0.00%	13.59%	1.26%	0.00%	5.27%
ITI MF	7.64%	27.15%	13.93%	8.80%	4.24%	6.94%	3.82%	2.76%	0.00%	5.55%	0.79%	12.46%	1.73%	1.02%	1.41%
JM Financial MF	9.14%	29.05%	11.17%	6.84%	4.30%	8.38%	2.87%	4.23%	0.07%	6.38%	0.03%	8.08%	2.33%	2.48%	3.10%
Kotak Mahindra MF	7.89%	27.00%	9.74%	11.63%	3.06%	8.77%	4.28%	5.46%	0.39%	5.64%	0.05%	9.03%	3.35%	0.17%	1.26%
LIC MF	10.92%	22.57%	17.34%	6.76%	5.45%	6.82%	4.23%	3.19%	0.20%	2.88%	0.15%	7.95%	3.12%	0.30%	4.03%
Mahindra Manulife MF	8.27%	26.17%	11.36%	9.43%	3.88%	6.13%	2.59%	5.34%	0.36%	5.67%	0.33%	10.06%	3.48%	1.38%	1.89%
Mirae Asset MF	7.68%	31.28%	3.98%	6.38%	3.58%	11.06%	3.88%	4.63%	0.00%	7.47%	0.21%	10.76%	4.45%	0.06%	3.41%
Motilal Oswal MF	6.97%	29.54%	21.48%	2.95%	0.79%	14.72%	1.45%	7.81%	0.00%	0.85%	0.36%	5.30%	2.13%	0.19%	1.09%
Navi MF	9.95%	33.70%	13.59%	3.62%	3.94%	3.77%	4.09%	4.50%	0.00%	2.67%	0.00%	8.22%	1.79%	0.43%	2.37%
Nippon India MF	7.24%	26.16%	12.66%	4.36%	6.21%	13.03%	2.71%	3.86%	0.28%	7.02%	0.42%	10.95%	1.15%	0.71%	1.70%
NJ MF	12.72%	17.09%	2.07%	3.50%	17.39%	5.66%	0.00%	7.20%	0.00%	3.88%	0.00%	25.10%	0.00%	2.80%	1.63%
Old Bridge MF	12.93%	15.71%	2.38%	14.79%	6.51%	2.30%	4.02%	0.00%	0.00%	0.15%	0.89%	13.75%	4.74%	0.11%	10.31%
PGIM India MF	8.07%	25.91%	12.32%	8.74%	4.45%	10.85%	2.97%	4.73%	0.00%	3.44%	0.00%	11.56%	2.52%	0.15%	1.57%
PPFAS MF	6.35%	26.10%	0.04%	0.04%	7.21%	2.43%	0.02%	13.79%	0.00%	13.19%	0.03%	4.45%	2.80%	0.00%	5.15%
Quant MF	4.73%	19.35%	6.88%	8.64%	2.56%	4.05%	6.46%	2.11%	1.07%	20.22%	0.80%	11.50%	6.21%	1.84%	0.76%
Quantum MF	10.80%	37.12%	1.86%	3.65%	1.08%	6.05%	2.04%	13.69%	0.38%	3.85%	0.81%	5.80%	2.44%	0.00%	4.73%
Samco MF	7.89%	28.48%	24.69%	11.74%	3.45%	2.83%	1.04%	0.21%	0.93%	4.71%	0.12%	8.43%	3.00%	0.09%	1.40%
SBI MF	7.39%	26.20%	7.05%	8.29%	4.23%	7.98%	3.16%	4.95%	0.05%	10.82%	1.26%	7.72%	2.63%	1.24%	2.14%
Shriram MF	7.67%	32.18%	4.34%	2.44%	2.28%	7.59%	1.86%	7.55%	0.32%	9.17%	0.00%	10.76%	4.55%	0.00%	5.74%
Sundaram MF	6.39%	28.88%	10.66%	5.36%	4.80%	9.94%	3.61%	6.96%	0.23%	5.83%	0.34%	6.78%	3.24%	0.14%	3.17%
Tata MF	5.43%	22.78%	8.75%	8.59%	5.10%	7.15%	3.31%	10.85%	0.22%	7.52%	0.99%	7.16%	3.73%	0.60%	2.90%
Taurus MF	7.09%	14.93%	8.28%	7.43%	8.03%	6.34%	0.97%	11.35%	0.07%	12.34%	0.00%	11.91%	4.14%	1.02%	0.83%
The Wealth Company MF	11.61%	27.69%	11.15%	8.37%	3.03%	6.17%	4.75%	9.12%	0.00%	4.01%	0.00%	7.24%	2.05%	0.00%	0.10%
Trust MF	8.51%	24.26%	13.69%	6.83%	4.37%	6.55%	2.49%	7.47%	0.00%	2.69%	0.00%	13.27%	1.52%	1.18%	3.25%
Unifi MF	6.21%	36.96%	4.54%	7.72%	0.00%	1.03%	3.57%	5.67%	0.00%	8.04%	0.55%	12.17%	4.81%	1.96%	4.08%
Union MF	9.19%	24.54%	17.24%	8.83%	4.53%	6.14%	3.35%	4.13%	0.18%	4.71%	0.00%	10.22%	1.92%	0.72%	1.19%
UTI MF	10.25%	25.48%	6.77%	4.78%	3.46%	13.86%	3.05%	7.86%	0.26%	5.26%	0.48%	9.74%	3.21%	0.22%	2.09%
WhiteOak Capital MF	5.42%	29.18%	10.83%	5.48%	4.21%	9.30%	2.48%	5.98%	0.02%	3.87%	1.96%	12.16%	3.79%	0.03%	1.11%

Data as on 31st May, 2026

Source : ICRA Analytics Limited

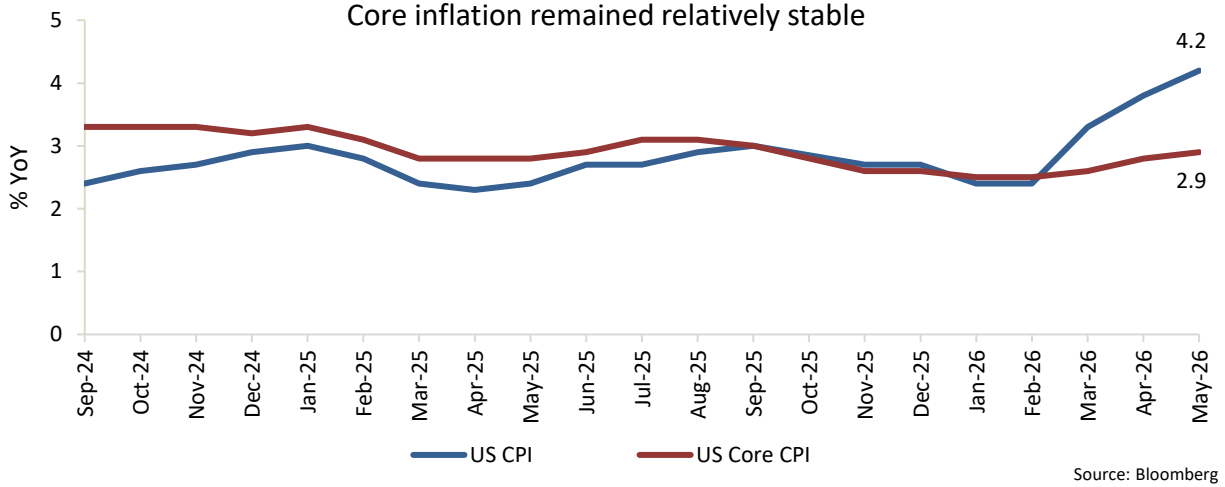
Fixed Income Market

Fixed Income Outlook and Strategy – July 2026

- The rupee saw recovery as FPI interest in the Indian bond market got revived post RBI's and the government's announcements to incentivise capital flows. Currency may move with a positive bias as capital flows comes to India via FCNR(B), ECB route and probable inclusion of Indian G-secs in Bloomberg's Aggregate Global Bond Index.
- Inflation saw further uptick but stayed within the RBI's comfort zone. The effect of El Niño and the resultant significantly delayed and deficient monsoon has started putting pressure on vegetable prices and may push headline inflation higher. Going forward, if the West Asia conflict stays under control, leading to relatively benign energy prices, it may offset some of the price pressures.
- Pressure on the external sector eased but worries about RBI's large dollar short position and merchandise trade deficit remain. Going forward, incremental inflows from FCNR(B), along with significant easing of energy prices, if they do not reverse, can keep the external sector supported.
- Although market participants are pricing in rate hikes during the year, the RBI governor has highlighted that talks around the same are 'premature'. Going forward, the RBI is expected to monitor the second order effect of inflation and hence prefer a wait-and-watch approach before taking a policy decision.
- Commodity prices came off significantly once the interim peace deal was reached. Prices may remain sideways if the ceasefire holds.
- In the US, inflation continued its upward surge. The Fed, under new Chairman Kevin Warsh, took a decisively hawkish view and spoke about its commitment to bringing inflation down. Going forward, the next policy decision is expected to be a rate hike, but timing of the same may vary depending on how energy prices and resultant inflation react to developments around the US-Iran geopolitical conflict.
- The ECB raised rates for the first time in 3 years as inflation took precedence despite a sluggish growth outlook. Going forward, the ECB is expected to take measured steps depending on incoming data on a meeting-by-meeting basis.
- As persistent price pressures took hold, multiple Central banks decided to hike rates or adopted an overall hawkish stance. Going forward, the recent easing of energy prices may provide space to Central banks before going ahead with fresh rate hikes.
- RBI's policy announcement and resultant impact on currency was a positive for bond market sentiments, which pushed G-sec yields down. It received further boost from the interim peace deal signed by US and Iran. Probable Bloomberg index inclusion can support prices further.
- The corporate bond yield curve saw substantial easing at the shorter end as markets expected significant positive flows on the back of a spate of measures announced by the RBI. The current levels continue to provide good accrual opportunities in the 3-5-year segment of the corporate bond curve and selective parts of the SDL curve. Going forward, any upside from capital flows can boost mark-to-market gains.
- Thus, at this juncture, with lucrative yields, a case continues to exist for investment into Corporate Bonds that are at the 3-5-year segment of the curve. Hence, investors can look at Corporate Bond Funds and Short Duration 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.
- For a horizon of 3 months and above, investors can consider Arbitrage Funds and Low Duration Funds.
- Whereas for a horizon of up to 3 months, investors can consider Overnight Funds and Liquid Funds.
- Investors should invest in line with their risk profile and product suitability.

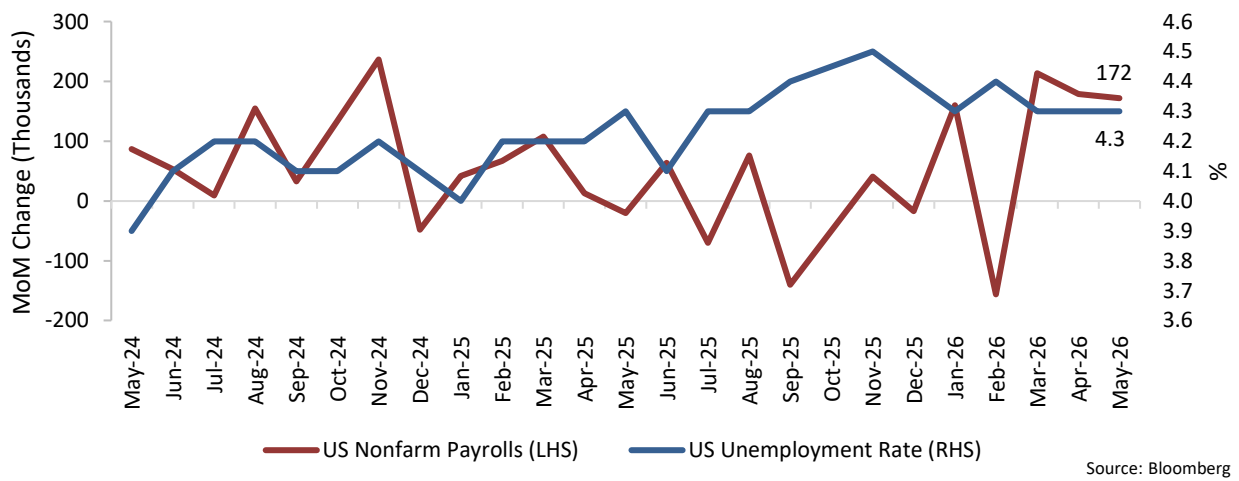
US: Persistent rise in inflation led the Fed to take a hawkish stance… Interim peace deal with Iran may bring relief

Elevated energy prices have pushed headline inflation to a 3-year high…
Core inflation remained relatively stable



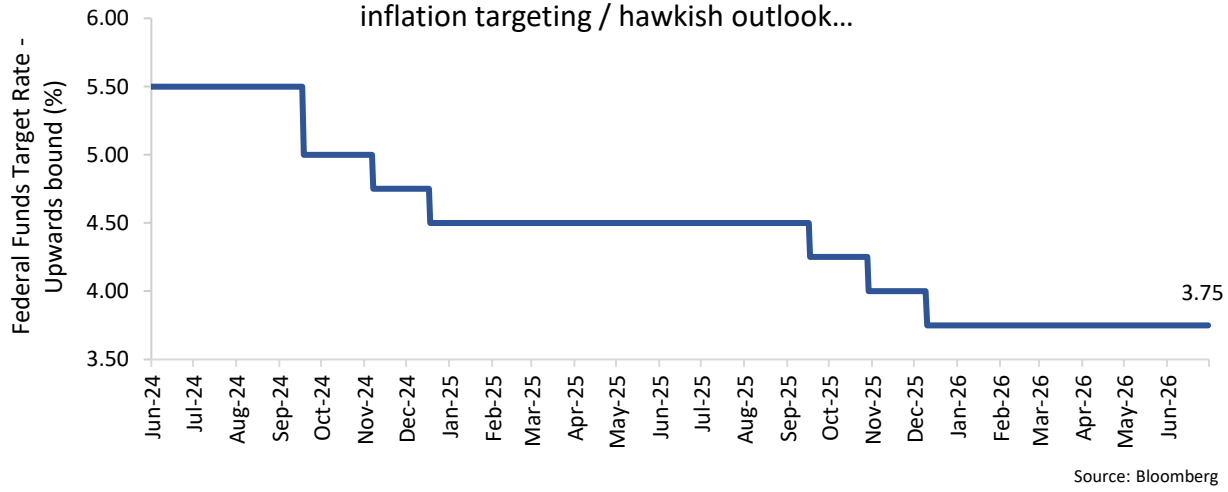
Source: Bloomberg

Employment data showed resilience...



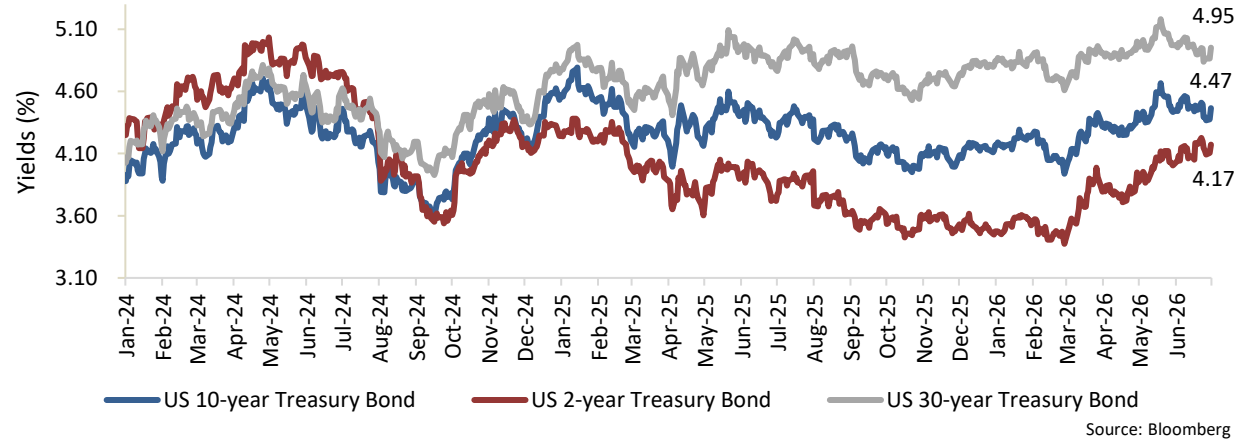
Source: Bloomberg

… allowing the Fed to hold rates, but with a decisive shift towards an inflation targeting / hawkish outlook…



Source: Bloomberg

…resulting in shorter end yields hardening as market starts pricing in future rate hikes, but longer cooled off as MoU for interim peace deal was signed

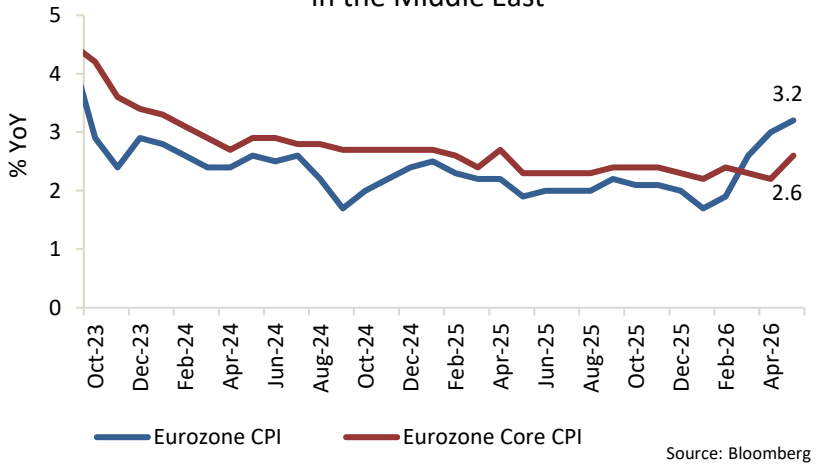


Source: Bloomberg

Classification - Restricted

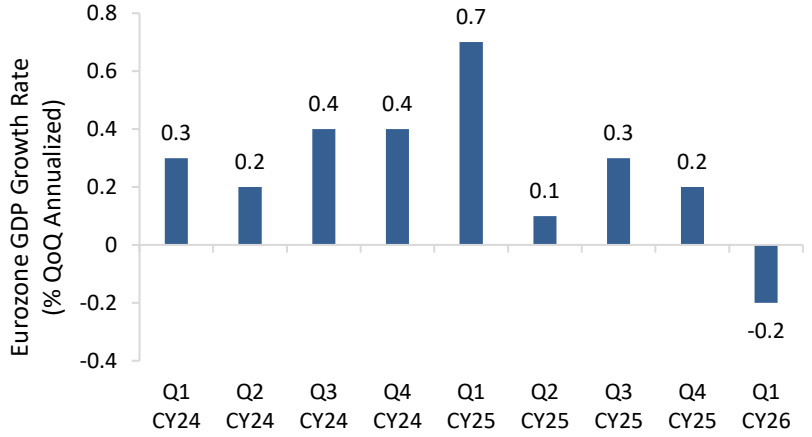
EU: Surging inflation meant ECB prioritised inflation despite sluggish growth guidance

Inflation saw major re-acceleration due to the war in the Middle East



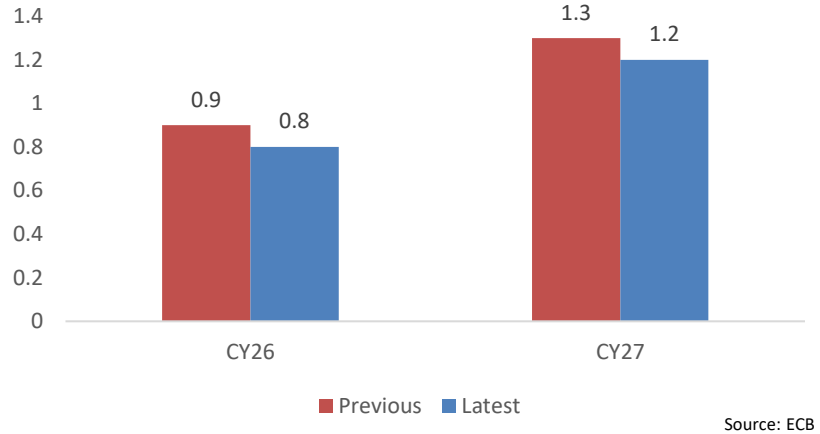
Source: Bloomberg

Even as GDP growth shrank...



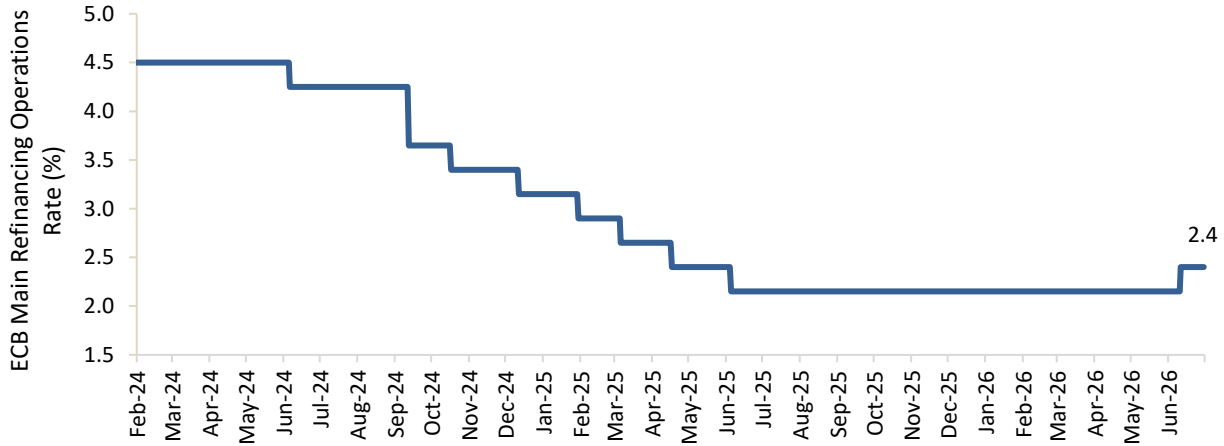
Source: Bloomberg

...and CY26 & CY27 forward guidance were lowered (% YoY)...



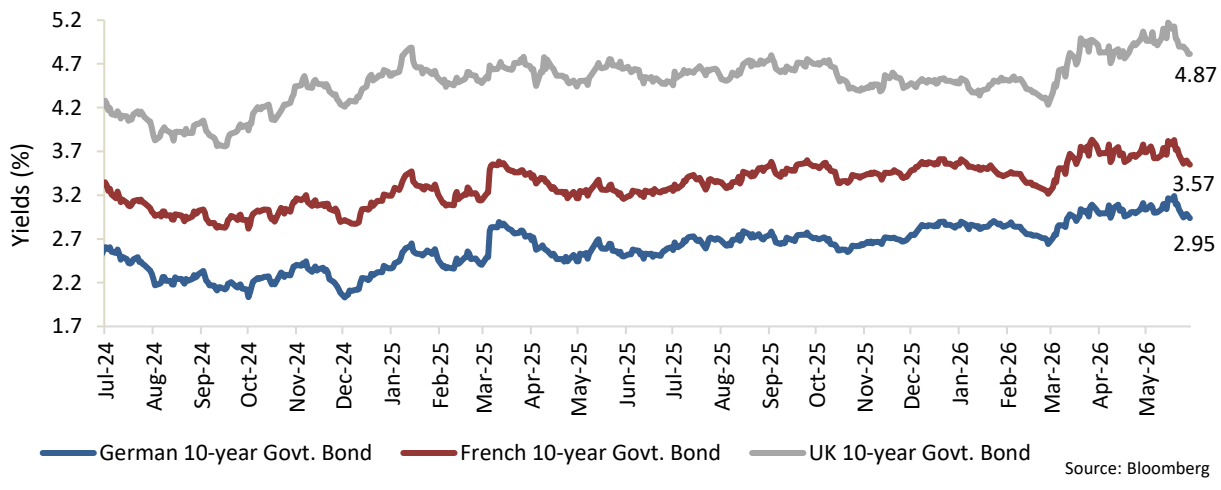
Source: ECB

... the ECB hiked rates to counter broader inflationary pressures



Source: Bloomberg

Interim peace deal led to bond yields cooling off in the second half of June

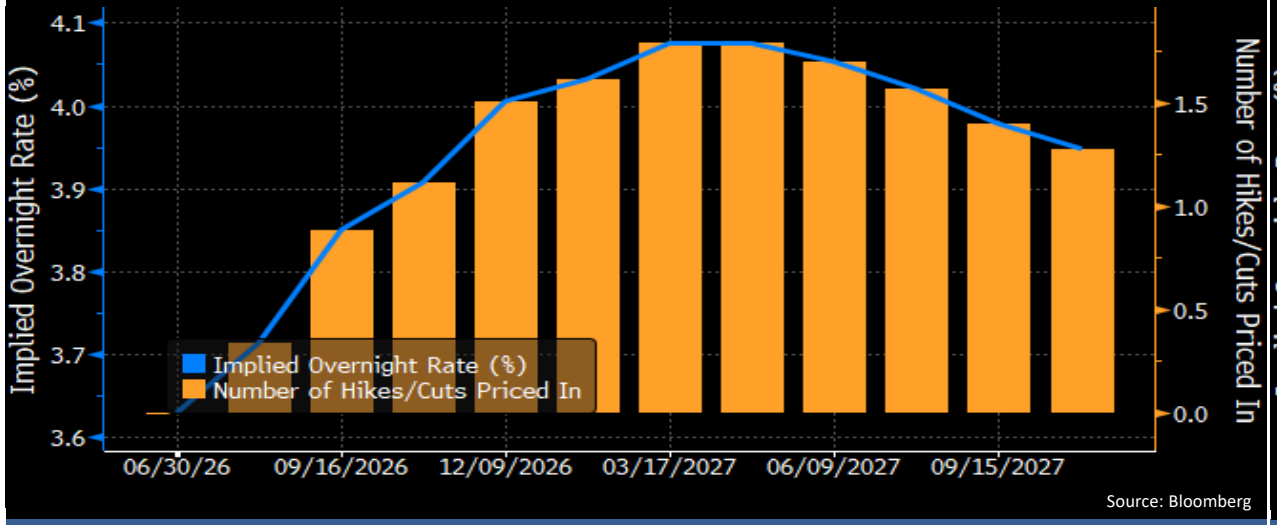


Source: Bloomberg

Classification - Restricted

Both the Fed and ECB turn hawkish, with the latter hiking rates… Fed may also do away with dot plots

The Fed, under the new leadership, committed to price stability

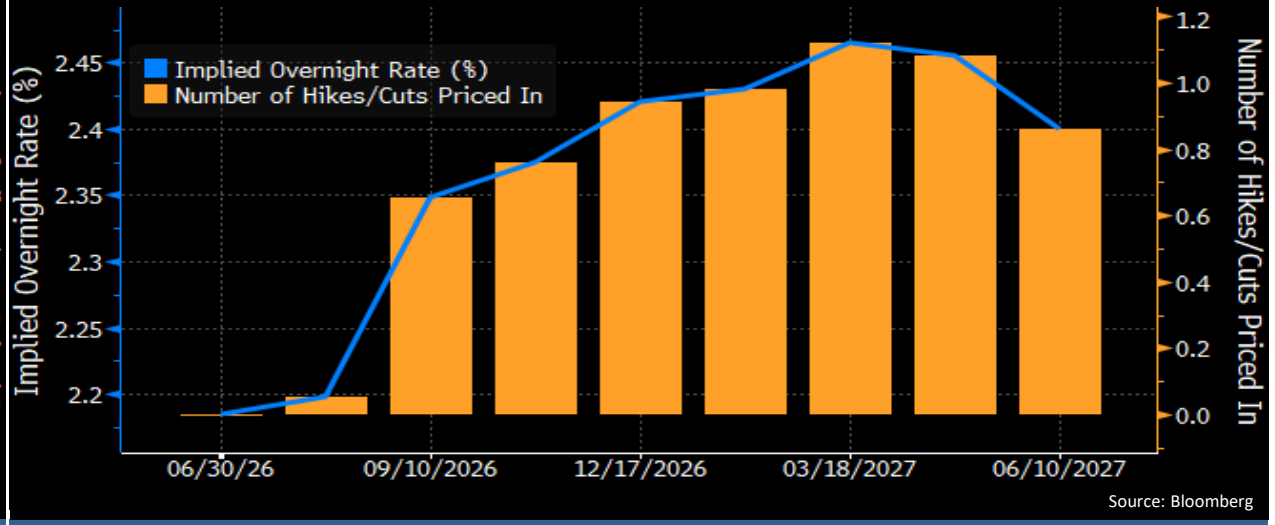


Source: Bloomberg

"… We recognize that inflation has been running well ahead of the Fed's long-stated inflation goal of 2% that's been going on for more than 5 years. Persistently high prices are a burden for the American people. But the recent past need not be prologue. I am pleased to report that members of the FOMC are unambiguous and unanimous: This Committee will deliver price stability."

- **Kevin Warsh**
At Post FOMC Press conference, June 17, 2026

The ECB raised rates for the first time since 2023



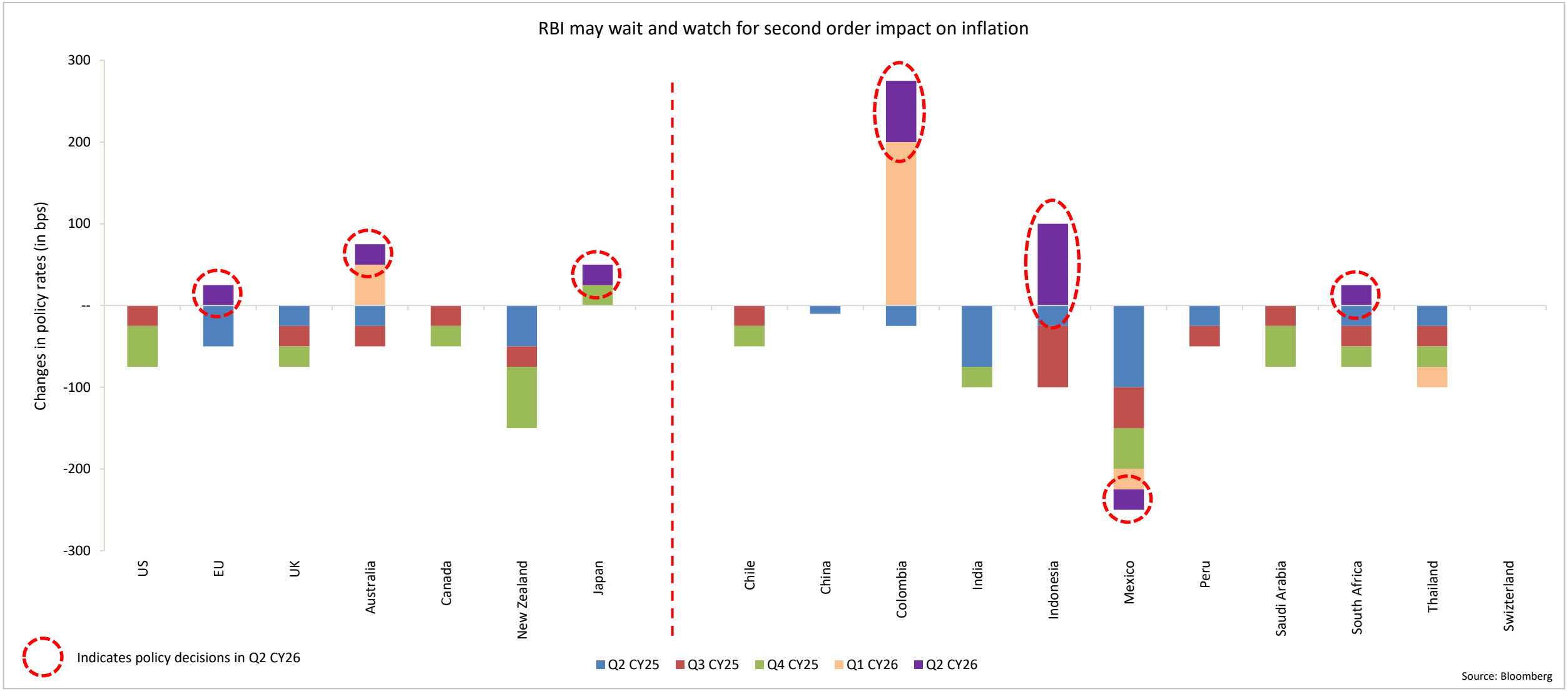
Source: Bloomberg

"Today, the environment for monetary policy has changed. Shocks fall more often on the supply side, and Europe has built considerable resilience in response to those difficult years.

This has created the space for monetary policy to go back to basics: stabilising inflation with policy rates as our primary tool, acting in a measured way, and taking decisions meeting by meeting."

- **Christine Lagarde, President of the ECB**
At the ECB Forum on Central Banking 2026

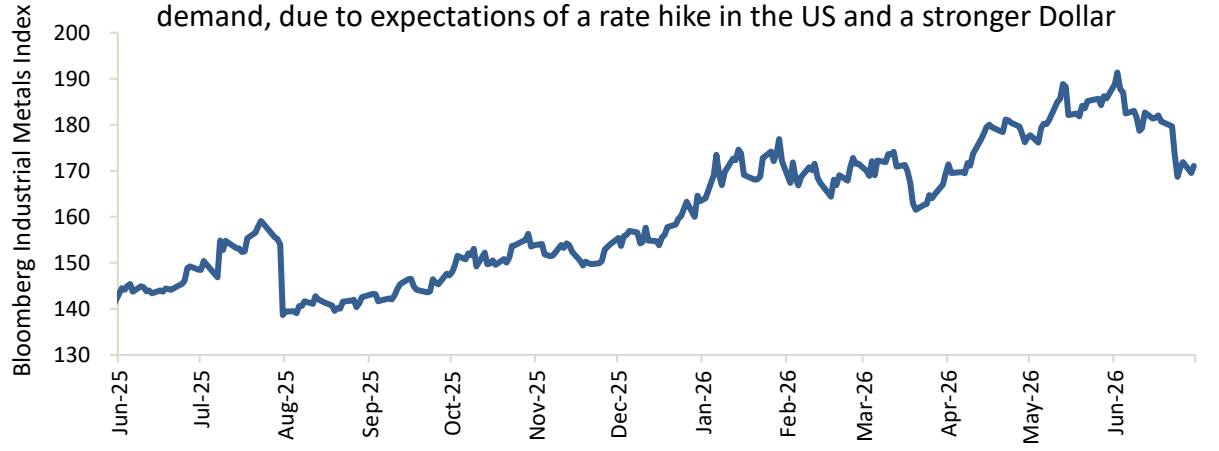
As inflation becomes entrenched, multiple major central banks went ahead with rate hikes or took relatively hawkish view



Classification - Restricted

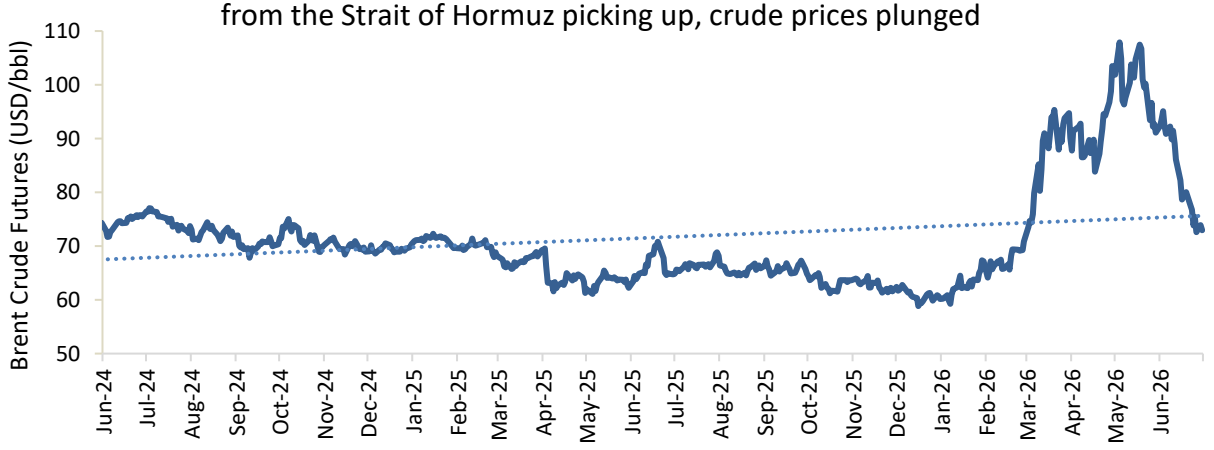
Global Commodities: Prices saw a see-saw start before coming off significantly post US's interim peace deal with Iran

Metal index came off significantly in the second half of June, despite AI infra demand, due to expectations of a rate hike in the US and a stronger Dollar



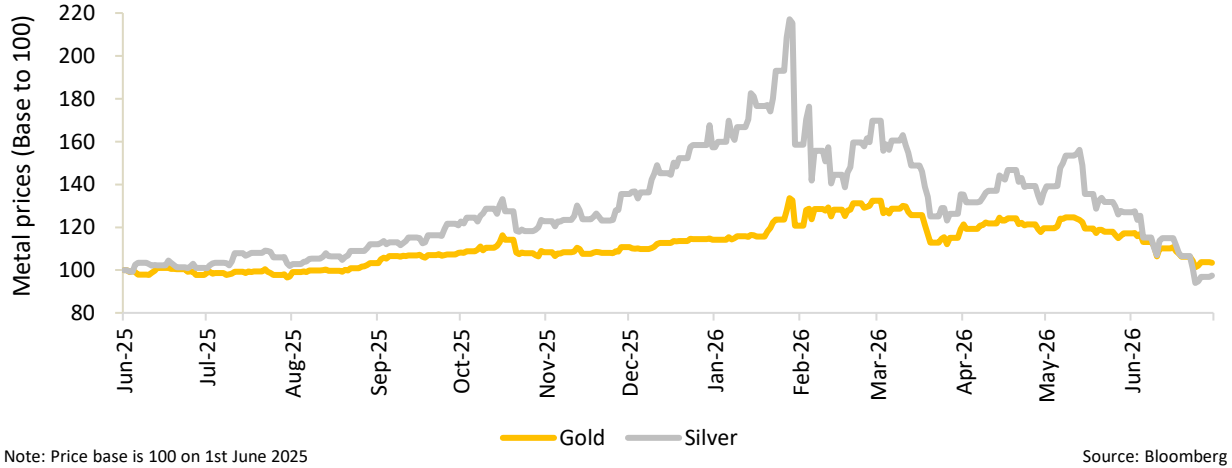
Source: Bloomberg

With the signing of an interim peace deal, sanctions on Iran lifted, and traffic from the Strait of Hormuz picking up, crude prices plunged



Source: Bloomberg

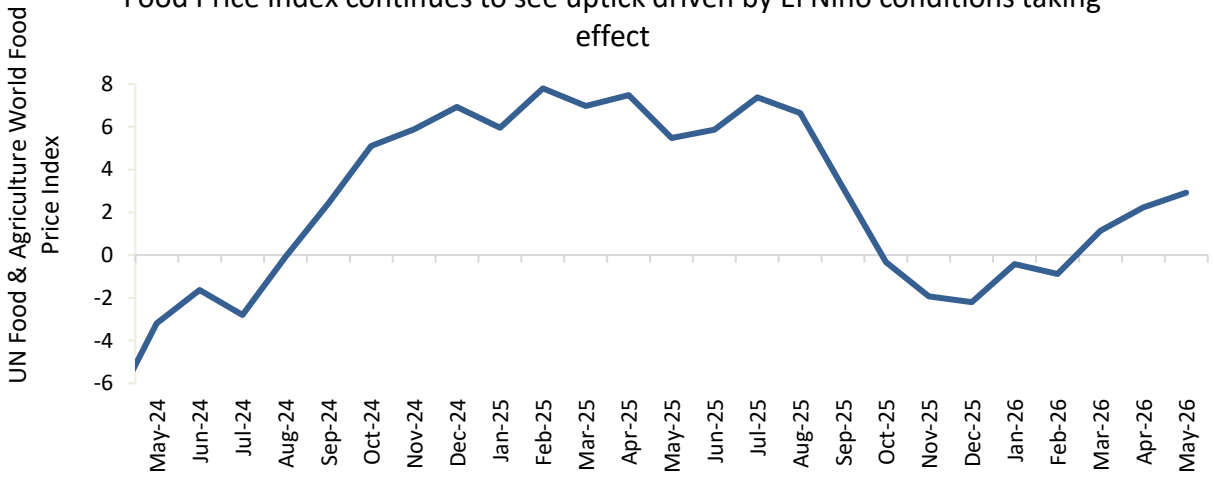
Central banks' hawkish stance led to precious metal prices coming off



Note: Price base is 100 on 1st June 2025

Source: Bloomberg

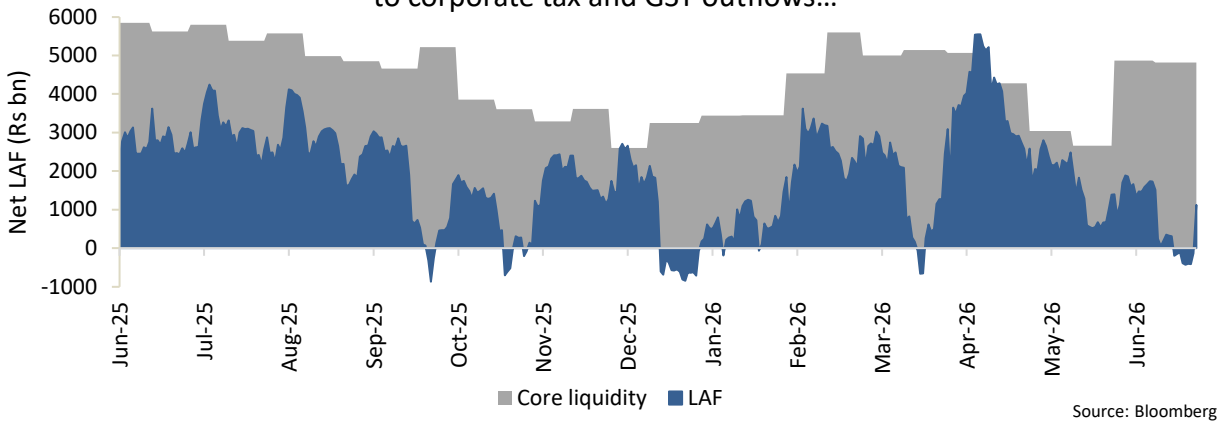
Food Price Index continues to see uptick driven by El Nino conditions taking effect



Source: Bloomberg

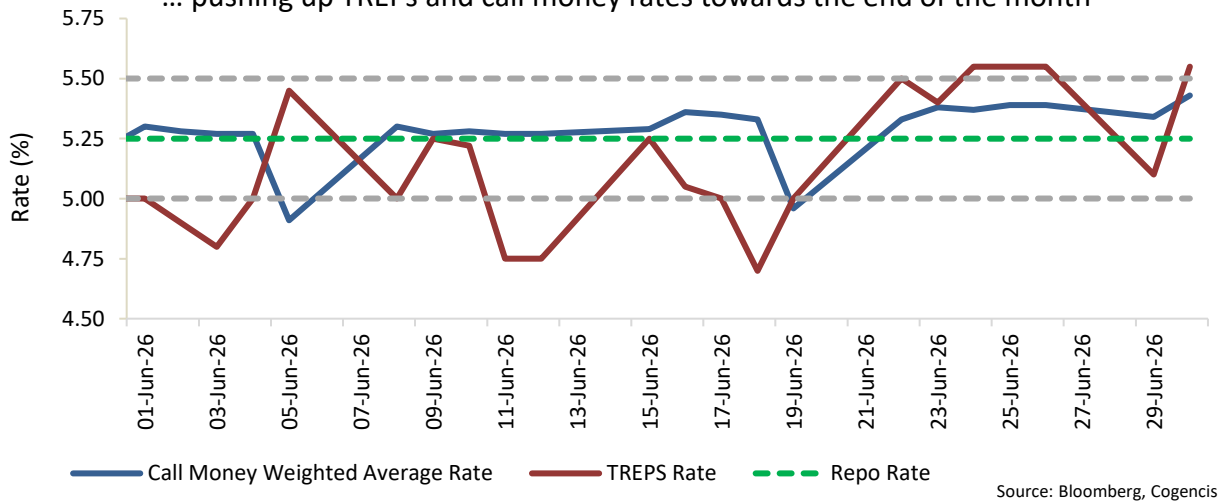
System liquidity came under pressure, driving up CD/CP yields, but RBI MPC announcement aided in bringing them down

While Core liquidity continues to remain comfortable, System liquidity remained under pressure and moved to deficit towards the end of June due to corporate tax and GST outflows…



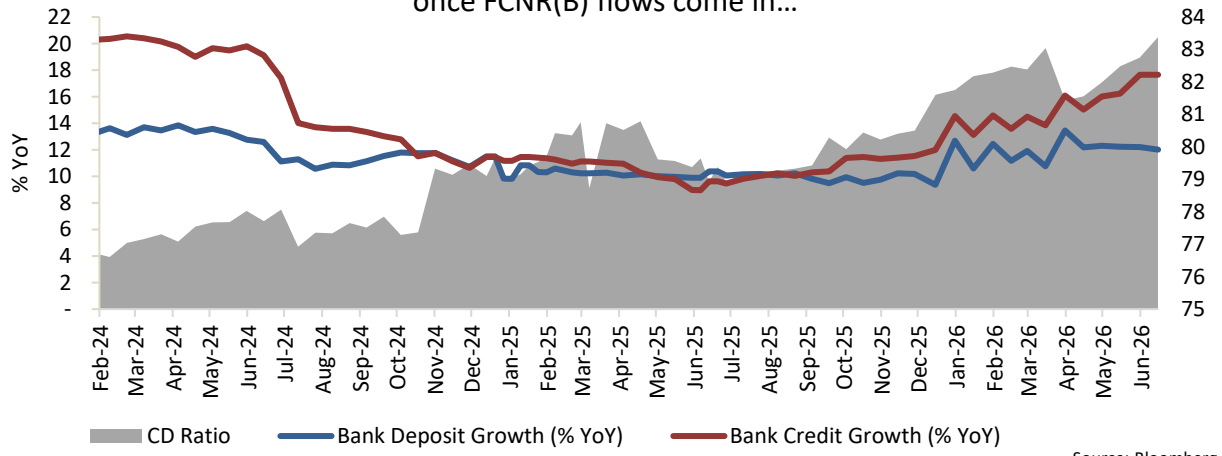
Source: Bloomberg

… pushing up TREPs and call money rates towards the end of the month



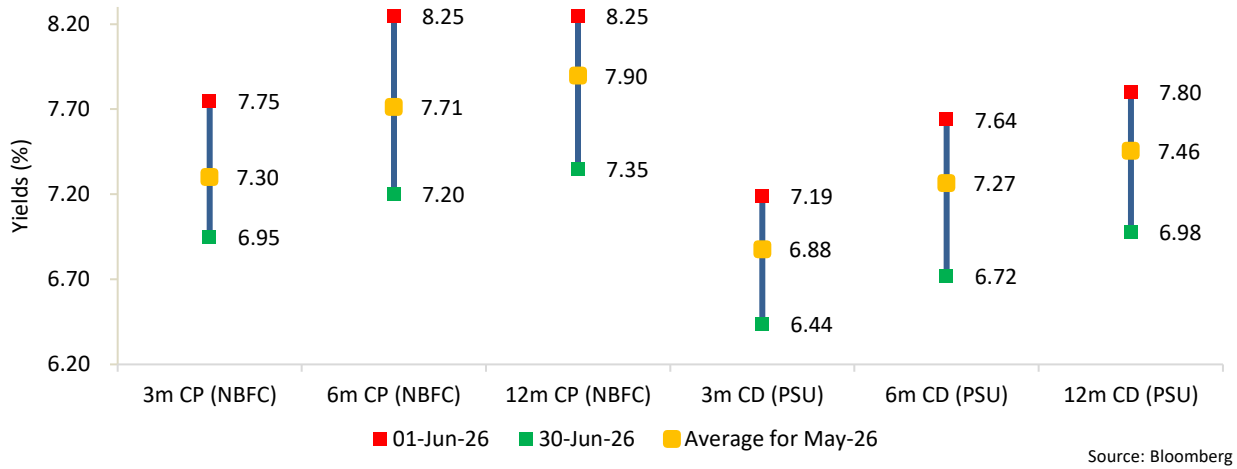
Source: Bloomberg, Cogencis

Credit to Deposit ratio continued to remain tight, but is expected to ease once FCNR(B) flows come in…



Source: Bloomberg

… The same also weighed down on CD & CP yields

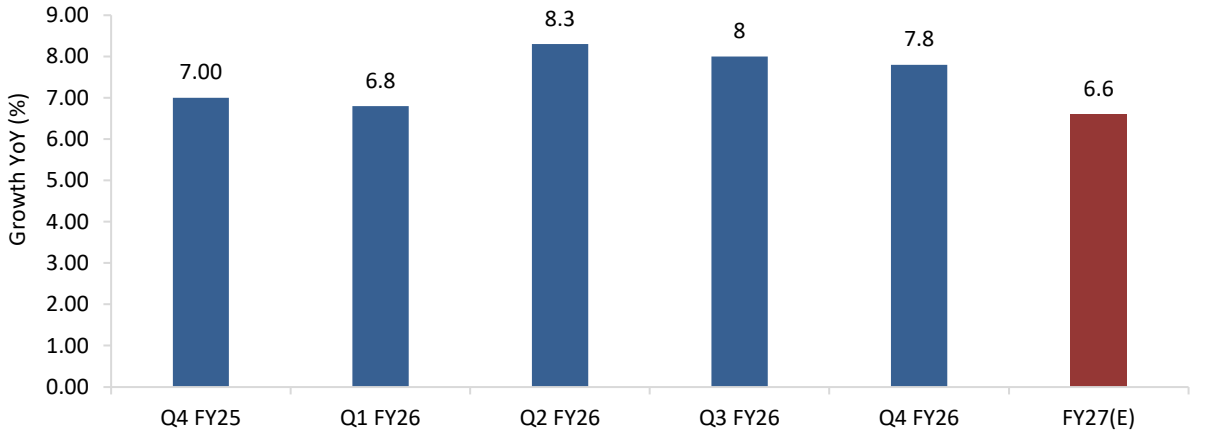


Source: Bloomberg

Classification - Restricted

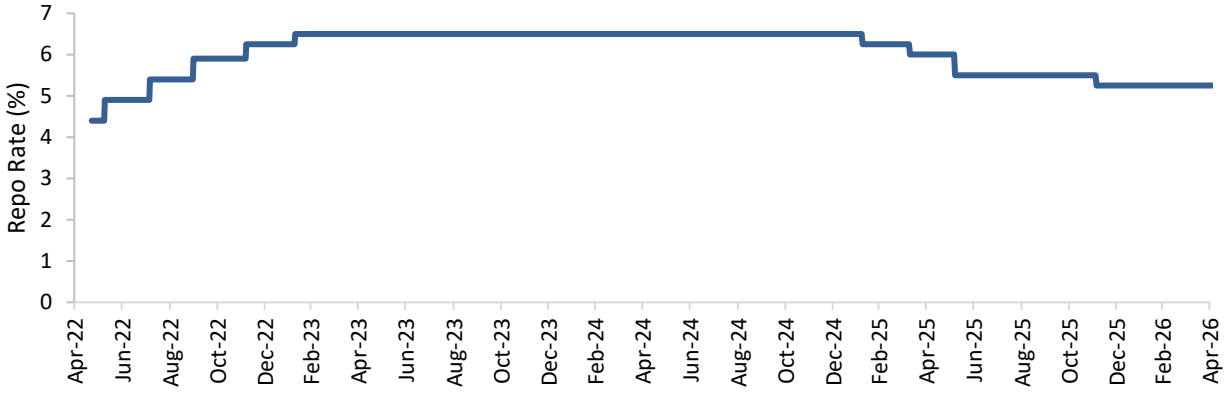
RBI MPC meeting saw the announcement of a spate of measures to incentivise capital flows

GDP growth remained strong, but forward guidance was lowered



Source: Bloomberg

The RBI decided to hold rates and wait for the second order effect of inflation to show



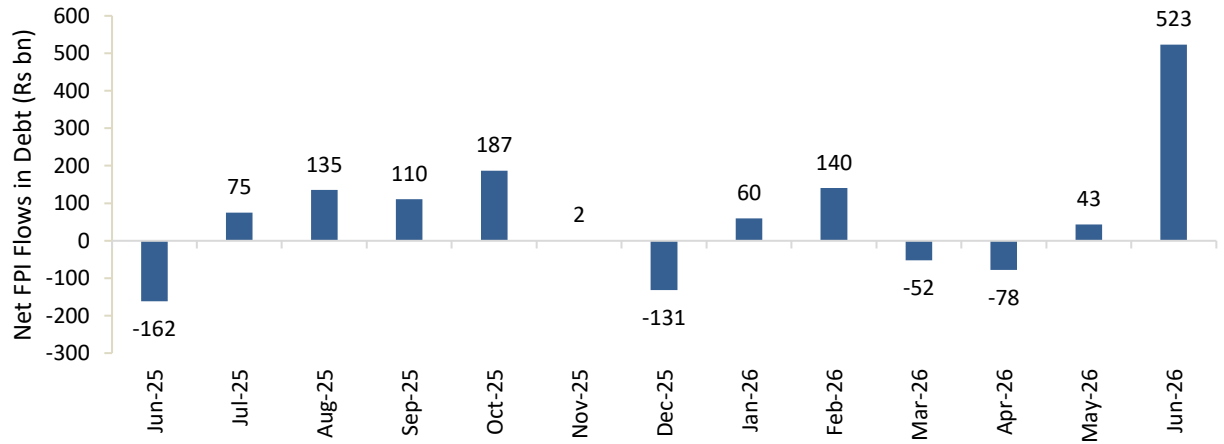
Source: Bloomberg

RBI, alongside the Government, announced incentives for capital flows…

- ✓ **The government exempted** FIIs from tax on any **interest income** from government securities, as well as **capital gains** arising from their sale, exchange or transfer applicable retrospectively from April 1, 2026.
- ✓ For government securities under the **Fully Accessible Route (FAR)**, the universe of 'specified securities' was expanded by including all new issuances of 15-, 30-, and 40-year tenor G-secs.
- ✓ Limits for investment by NRIs and OCIs in equity instruments traded on the stock market without SEBI registration are being increased. Further, the same facility is being extended to all individual Persons Resident Outside India (PROIs) at par with NRIs and OCIs.
- ✓ Concessional forex swap facility was provided till September 30, 2026 to incentivize **ECBs by PSUs**.
- ✓ Facility for bearing the full hedging cost was provided till September 30, 2026 to Authorized Dealer (AD) banks for raising fresh **3–5-year FCNR(B) deposits**.
- ✓ It was proposed to restore the time for realisation of export proceeds to nine months.

Source: RBI

… leading to robust FPI inflows into fixed income during June 2026



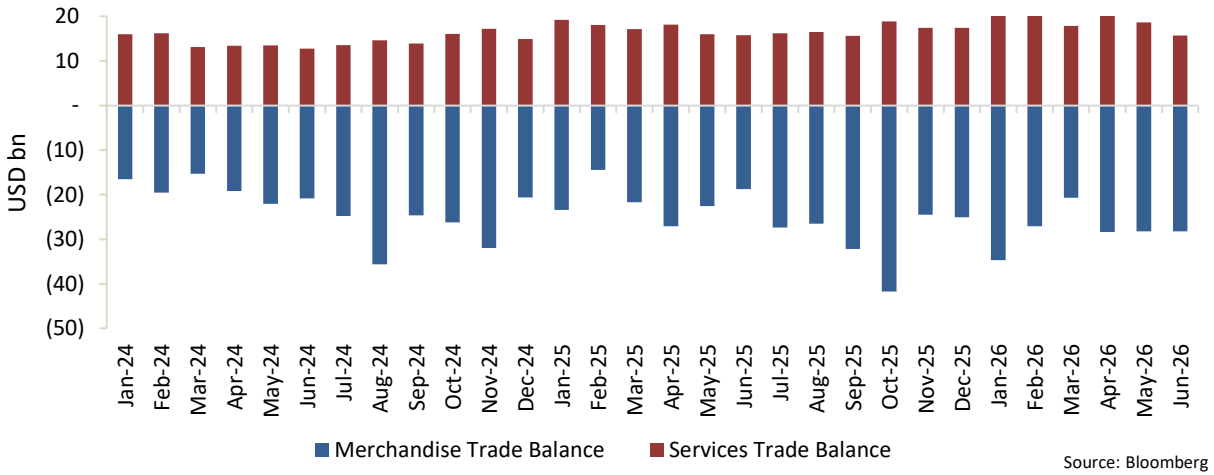
Note: Debt FPI includes flows to/from - Debt General Limit and FAR

Source: NSDL

Classification - Restricted

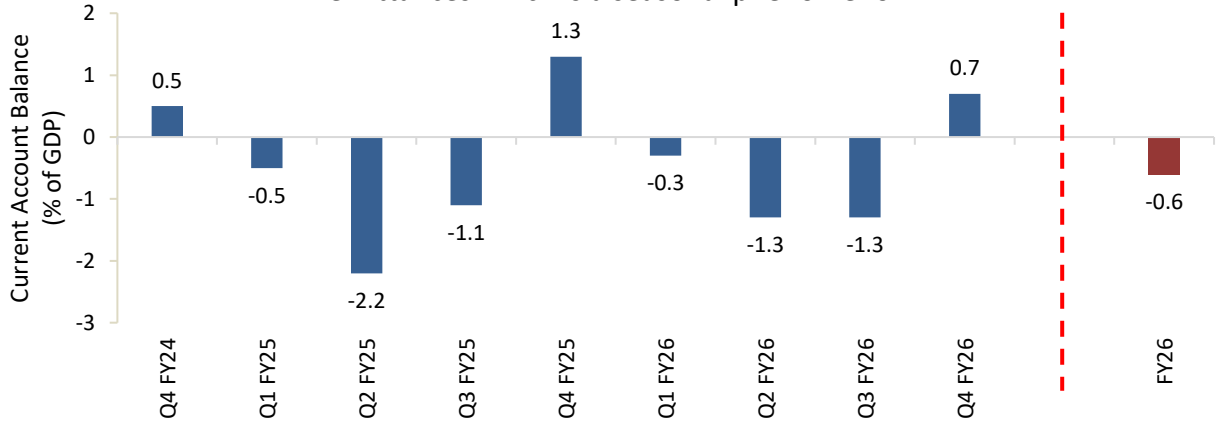
External sector showed signs of stability, but some worries remain

Merchandise Trade Deficit saw marginal narrowing



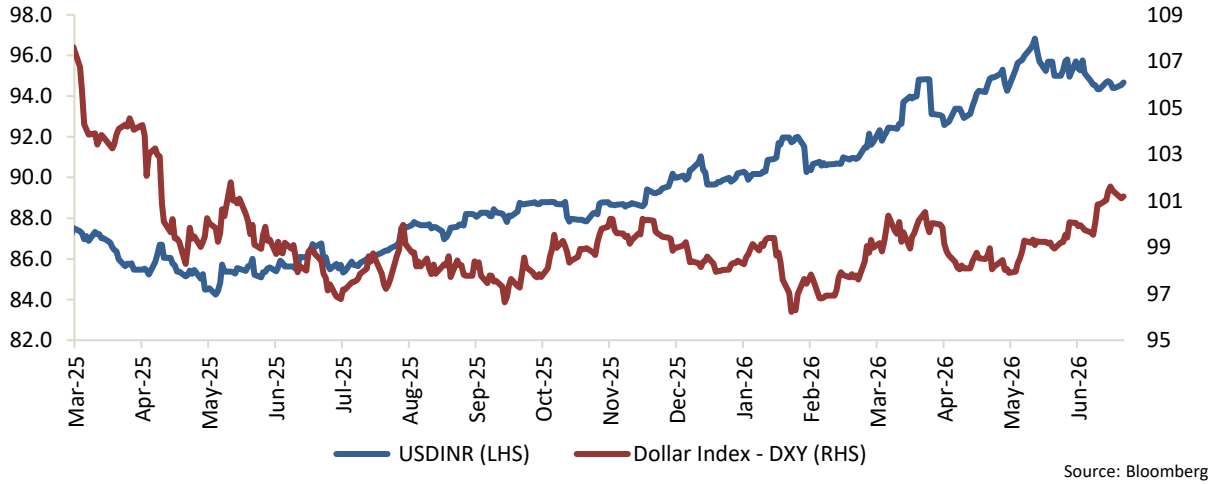
Source: Bloomberg

Current account registered a surplus in Q4 FY26 on the back of higher remittances which is a seasonal phenomenon



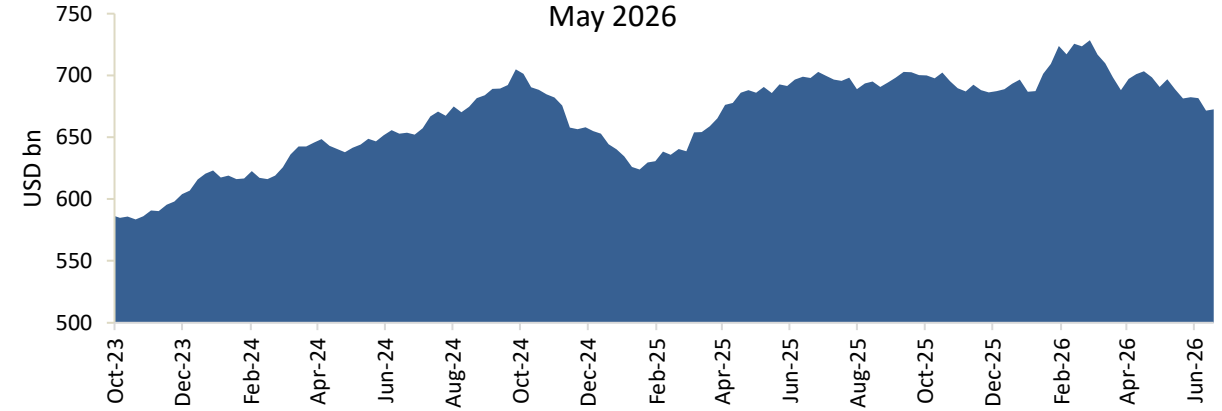
Source: Cogencis; RBI

INR found support in RBI's announcement and came off its recent lows



Source: Bloomberg

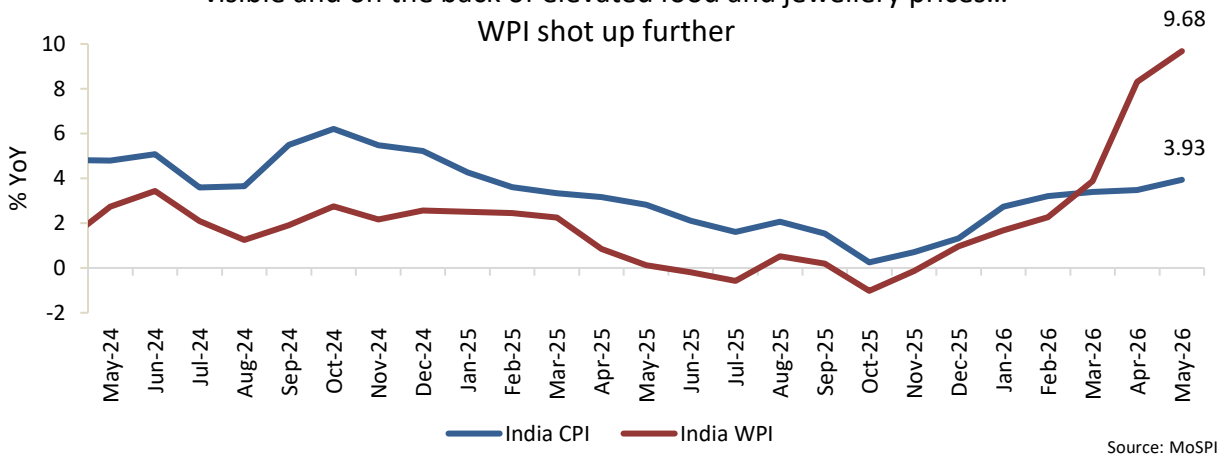
Though Forex Reserves remain robust, they continued to decline even without accounting for the record short dollar position of USD ~106.66 bn in May 2026



Source: Bloomberg & RBI

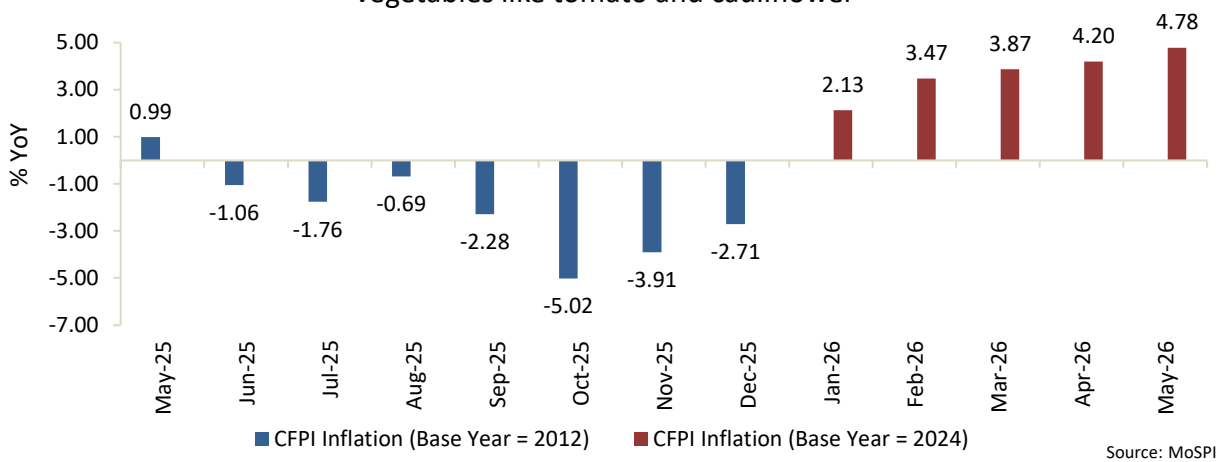
CPI inflation remained marginally under RBI's mid-range target of 4% YoY… Effect of El Nino and a weaker monsoon is expected exert further upward pressure on inflation, but some respite may come from easing crude prices

Headline inflation saw further uptick as fuel price pressure starts becoming visible and on the back of elevated food and jewellery prices… WPI shot up further



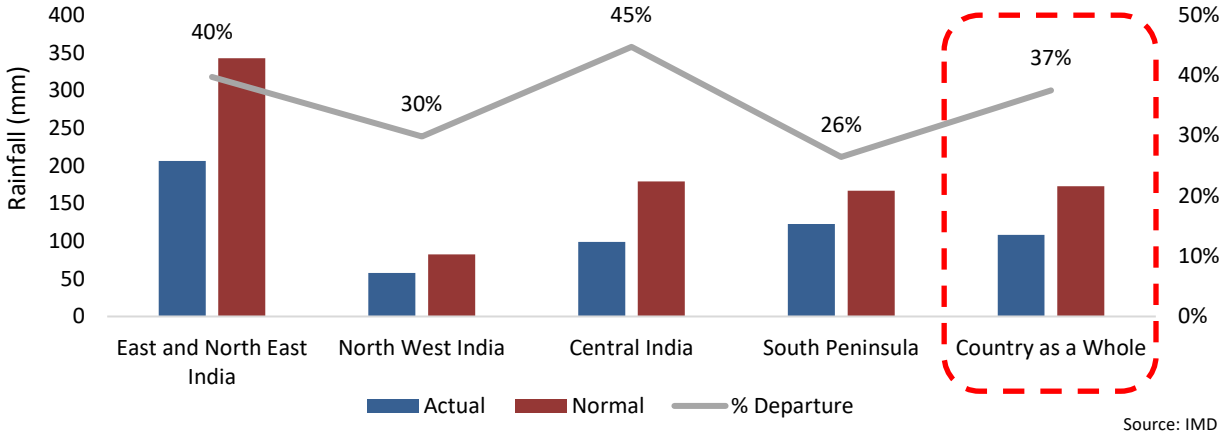
Source: MoSPI

Food inflation continued to accelerate, driven by a spike in prices of some vegetables like tomato and cauliflower



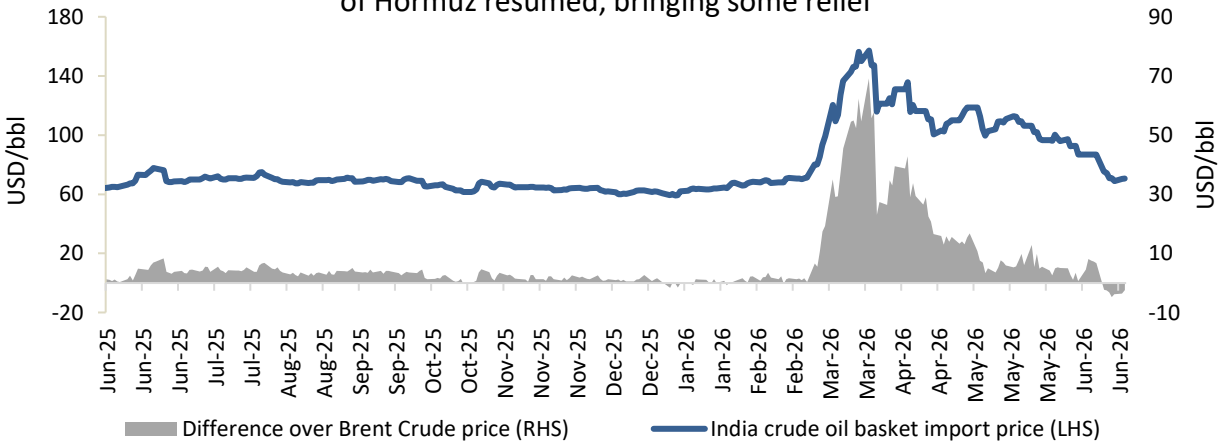
Source: MoSPI

Deficient rainfall was seen across the country raising concerns over higher food prices



Source: IMD

Indian Crude basket price saw sharp deceleration after traffic through Strait of Hormuz resumed, bringing some relief

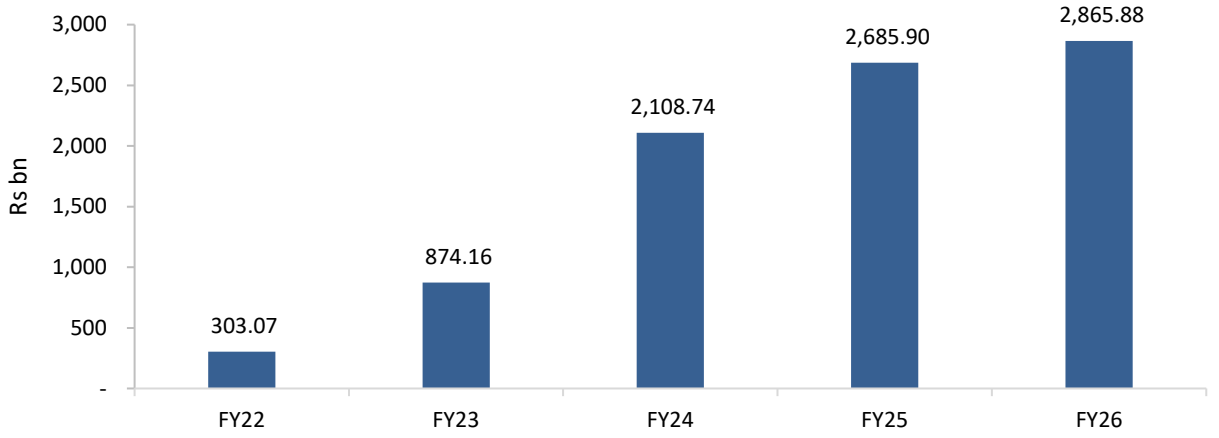


Source: Bloomberg

Classification - Restricted

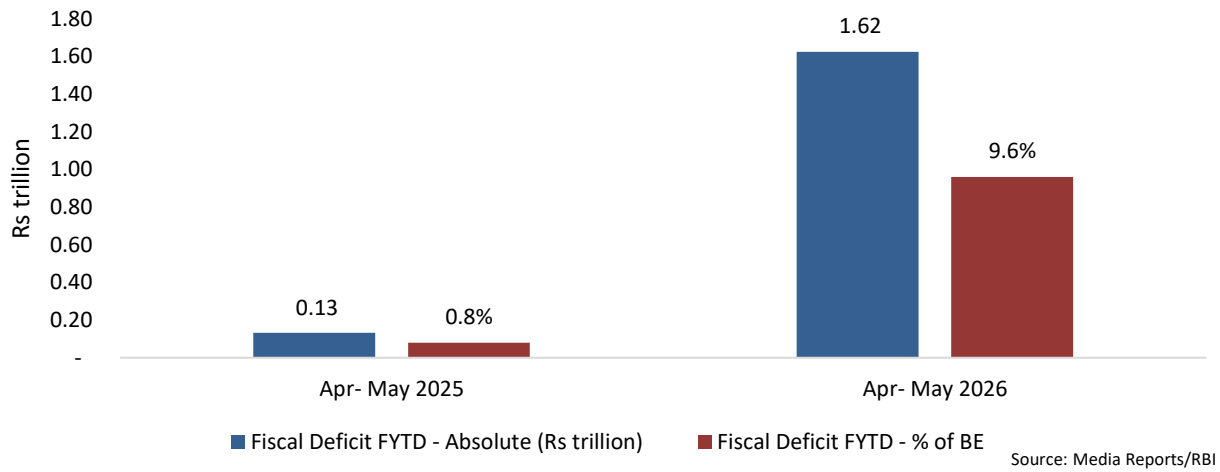
RBI's capital incentivization and rebound of currency was positive for bond market sentiments which pushed G-sec yields down… interim peace deal signed by US and Iran lent further support… Higher Fiscal Deficit remains a key monitorable

RBI paid a record Dividend to the government…



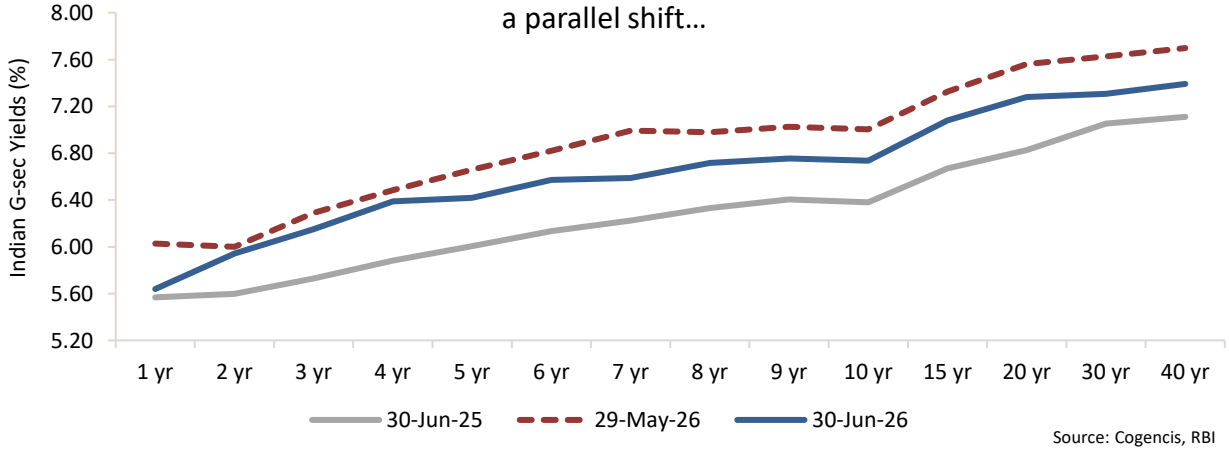
Source: RBI

…and CY26 & CY27 forward guidance were lowered (% YoY)…



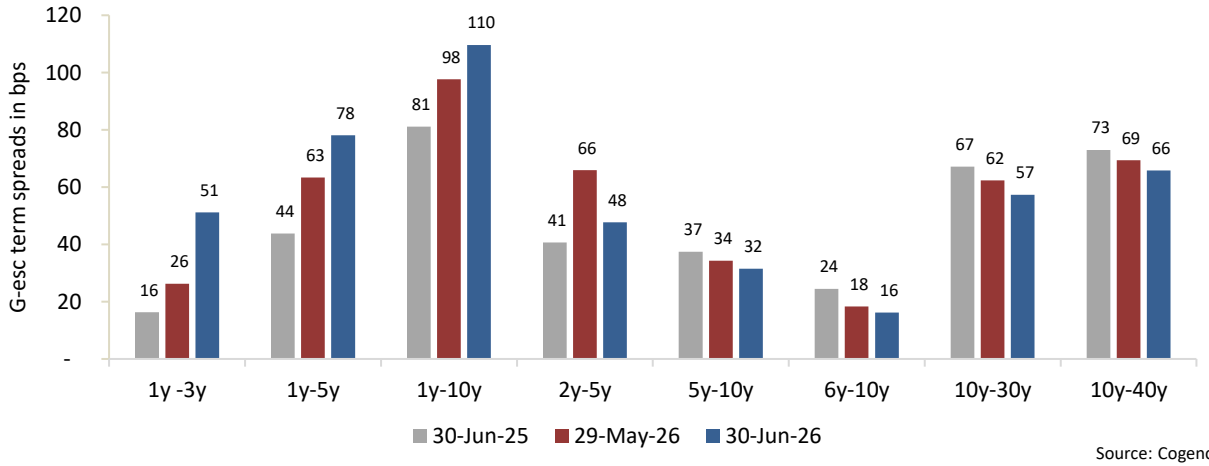
Source: Media Reports/RBI

Resumption of buying interest post RBI's MPC led to normalisation of G-sec yield curve… Shorter end came off faster, whereas the mid-to-long end saw a parallel shift…



Source: Cogencis, RBI

… hence, the term spreads were mixed

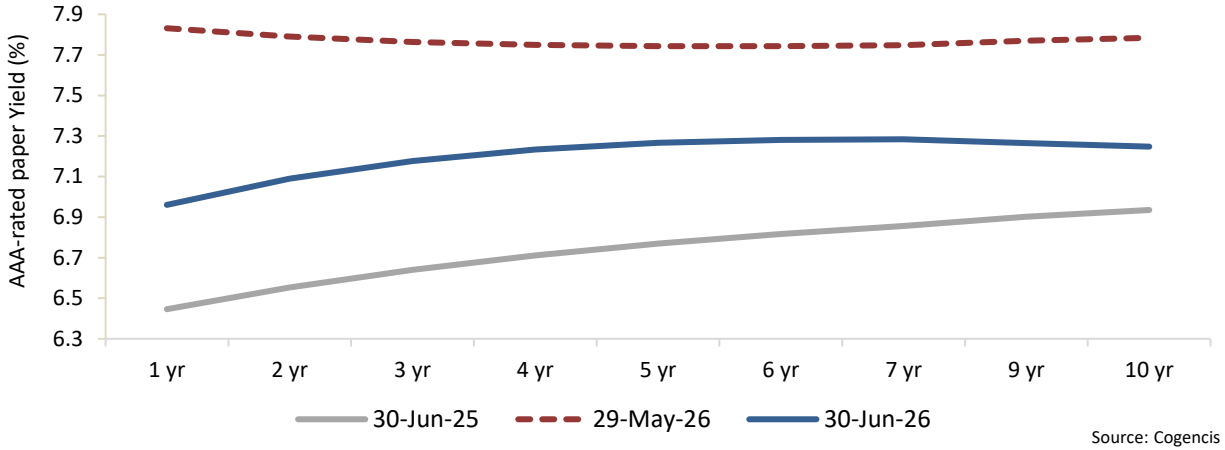


Source: Cogencis

Classification - Restricted

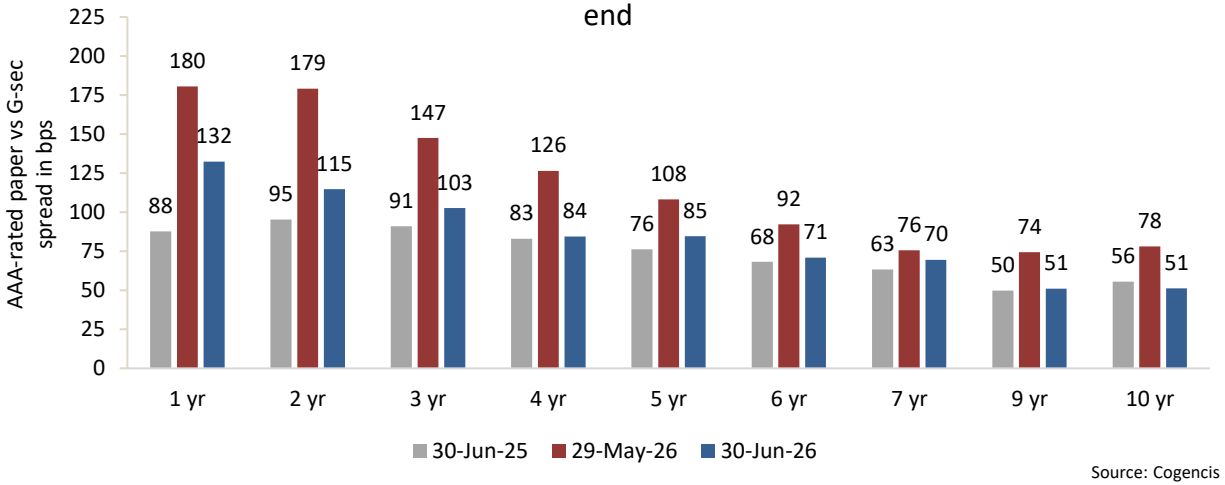
Expectations around foreign capital flows via ECBs and FCNR(B) are likely to weigh down on yields further, benefitting Corporate Bonds and SDLs at the shorter end

Shorter end Corporate Bond yields saw significant easing, leading to the curve seeing relative steepening



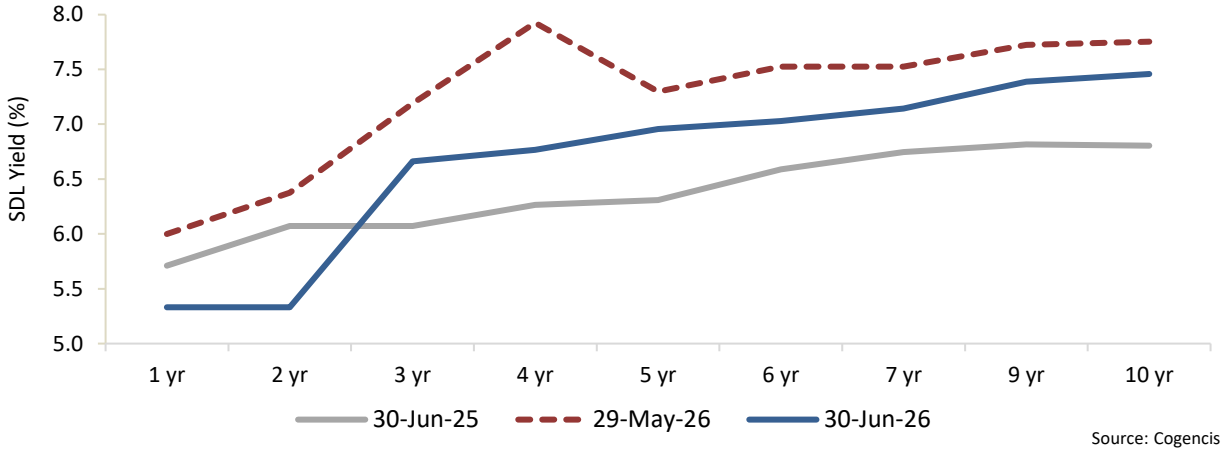
Source: Cogencis

Corporate Bond spreads eased across the curve, especially at the shorter end



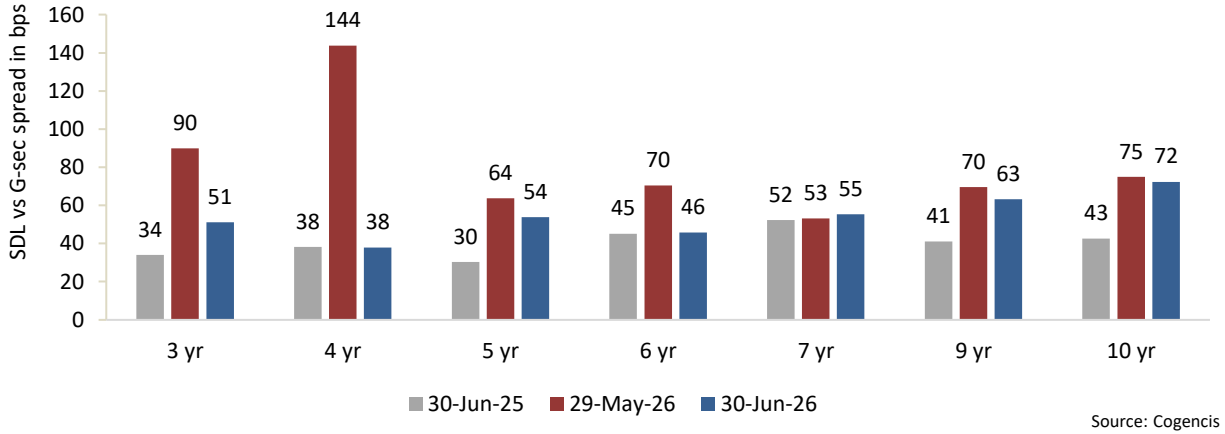
Source: Cogencis

The SDL Yield Curve saw some normalisation alongside a significant parallel downward shift



Source: Cogencis

SDL spreads compressed almost across the board, with the shorter end being impacted the most



Source: Cogencis

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