HDFC Bank – Research Presentation

September 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	
	Sep-26	Aug-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	
	Sep-26	Aug-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

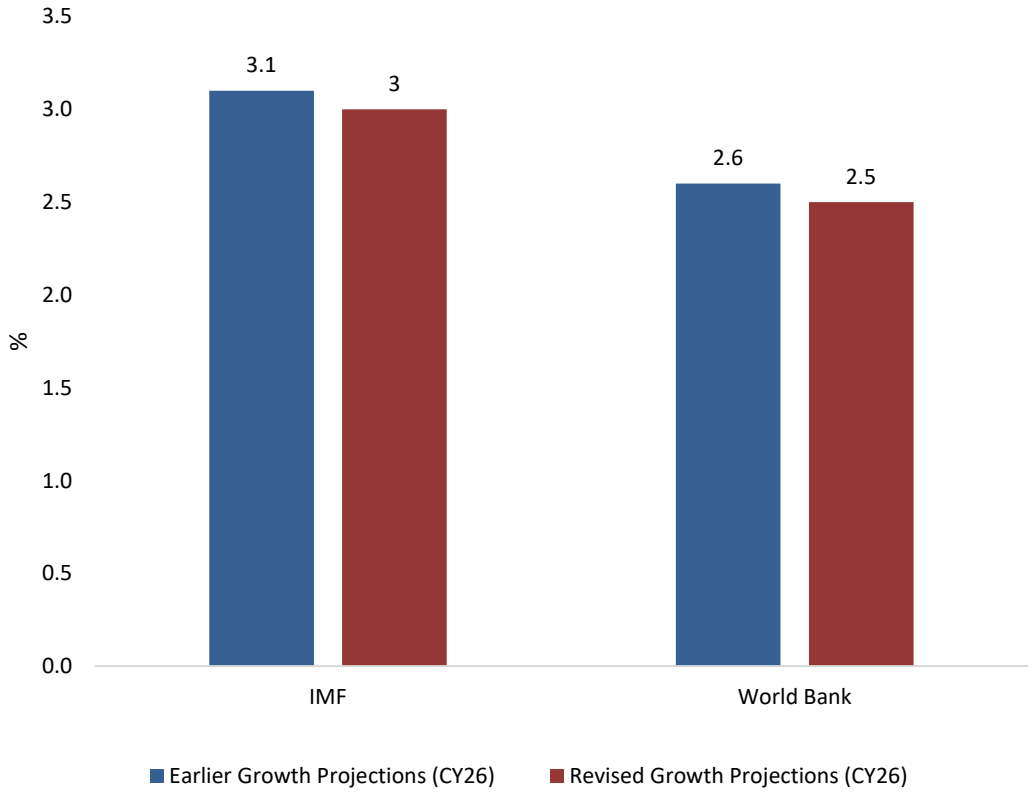
- **Equity MF Outlook and Strategy – September 2026**
- Global: Growth expectations weaken
- US: Strong growth endures, while soaring fiscal deficits and climbing bond yields heighten market risks
- Europe: Growth holds up, driven by industrial capex spend, but rising bond yields remain a risk here too
- China: Domestic growth below expectations… Exports only silver lining
- Japan: Higher inflation can push the BOJ to raise rates further and, along with currency volatility, can together impact global carry trade
- Commodities: Inched up on back of re-escalation in West Asia war… Food inflation remains a key monitorable
- Emerging Markets: Performance mixed as DXY remains volatile… India sees inflows
- August turns out to be a mixed month for the markets. Supported by FPI and DII flows, Mid and Small caps outperform Large caps
- Sectoral performance and FPI flows in August 2026
- India GDP: Surprises on the upside
- India Macros: Condition strengthens
- Urban Economy: Demand remains strong
- Rural Economy: Remains a strong pillar for growth
- Q1 FY27 earnings season concluded on a strong note as evidenced by the robust top line growth… Ex one offs, results exceeded expectation
- India: Valuations remain fair…with macro condition improving…rising equity issuances emerges as risk to market liquidity
- Sustained Retail participation through Mutual Funds continues to support the market
- Market Roundup – August 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 – September 2026**
- US: Amidst fiscal concerns due to surging debt, rising Personal Consumption Expenditure (PCE) inflation and Fed chair Warsh's hawkish stance is leading to the market factoring in a higher probability of rate hikes, keeping yields elevated
- EU: Elevated energy prices on the back of geopolitical tensions and a record debt issuance to fund infrastructure and defense is putting pressure on yields
- Fed turns more hawkish and ECB is moving towards further tightening
- Concerns around elevated inflation on the back of volatile energy prices, high fiscal deficit and serviceability of debt led to further global bond selloffs, pushing the yields higher across major economies and driving policy narratives
- Global Commodities: Saw a rebound in prices amidst persistent geopolitical friction and a tighter supply scenario
- As FCNR(B) flows ticked all boxes, RBI decided to prematurely close its incentivised swap window by 31st August 2026
- Though trade deficit continued rising, capital flows led by FCNR(B) and RBI's likely intervention kept currency in a range
- CPI inflation accelerated marginally, but a stronger than expected GDP print for Q1 FY27 despite disruptions from the West Asia crisis has provided space to the RBI to hike rates
- G-sec yields came under pressure due to the announcement of premature closure of the FCNR(B) incentive scheme and the hawkish tone in the RBI MPC's minutes of the meeting along with a marginal selloff by FPIs in Indian Debt
- Corporate bond yields came under pressure post FCNR(B) closure, whereas SDL yields remained elevated as supply remains unabated
- Disclaimer

Equity MF Outlook and Strategy – September 2026

- Global economic activity has remained buoyant despite elevated crude prices, but supply chain bottlenecks could raise input costs and affect purchasing power. Global Multilateral agencies, on the back of heightened geopolitical tensions, have downgraded future growth expectations as well. This, coupled with elevated yields globally, poses a risks to global macro stability..
- Tensions between US and Iran have flared up again. Despite resilient business activity in the US, as captured by PMI numbers, and stable GDP growth supported predominantly by high fiscal deficit, a weaker than expected non-farm payroll print and weakening consumer sentiment remain key monitorable. Elevated inflation is putting upward pressure on the yields, which has led to interventions by the Treasury to manage the longer-end of the yield curve. AI-driven stocks continued to project strong future growth which led to a rally, but it was tempered by a hawkish commentary from the US Fed Chair at the Jackson Hole symposium. A key risk for the US remains its elevated Fiscal Deficit which has led to unhinging of its yield curve at the longer-end.
- Eurozone continues to show a mixed picture. Manufacturing PMI bounced back, driven by industrial capex-led strength. Services PMI continued to see an uptick for the second month in a row. Q2 CY26 GDP growth also surprised on the upside, but inflation continues to remain measurably higher than ECB's 2% YoY target, weighing down on retail sales. Additionally, rising benchmark yields across countries in the Eurozone indicate expectations for higher inflation. With the European Commission downwardly revising its GDP growth forecasts for CY26 and CY27, stagflationary concerns have arisen.
- China's economy continues to show a divided landscape with a strong trade balance, driven by exports resilience driving the appreciation in Yuan, but retail sales remain muted as domestic demand lags, weighed down by weak household confidence and a Real Estate sector entrenched in contraction with declining home prices. GDP growth remains below their 5% target and the Manufacturing PMI, though resilient, is showing signs of cooling off. However, with inflation conditions expected to remain benign, policy space remains ample for the government to support demand.
- Japan's rising bond yields, especially at the longer end, have gone back to levels not seen since 1996-1999, and constitute a key risk to the global 'Carry Trade'. The inflationary uptick has continued to outpace the rise in policy rates by BoJ and further hikes, if any, could unwind leveraged trades. A persistent decline in the Japanese Yen prompted US Treasury intervention to avert a situation where Japan might need to trim its US Treasury holdings to stabilize the Yen.
- Commodities like crude and gold rebounded in August. Crude prices rose during the month, as tensions in the West Asia region escalated, and continues to remain a cause for concern. Gold prices rose as a weaker than expected US payroll data reduced expectations of a rate hike and US Treasury's intervention in the Bond Market drove the demand for safe haven asset. Industrial metals like zinc, aluminium and copper rose in August due to supply-side disruptions. Rising food prices, in an El Nino year, remains a key monitorable. Heightened container rates due to traffic disruptions and crude prices could also put upward pressure on input costs for businesses.
- Emerging Markets (EMs) saw mixed flows. AI-driven markets presented a mixed picture with Taiwan seeing inflows while South Korea saw outflows despite the DXY remaining below the 100-mark; while commodity-driven markets delivered neutral to positive monthly returns as base commodity prices rose in August. A weaker DXY could act as a tailwind for Emerging Markets, in general.
- **India's macro economic conditions have continued to improve.** The Q1 FY27 GDP growth @7.8% YoY was better than expected, despite elevated crude prices, showcasing resilient economic activity. GST collections continue to remain robust inspite of GST rate rationalisation undertaken in the previous CY, indicating strong demand momentum. PMI moderated, but remained in the expansionary zone. The centre has managed to accelerate its capex thrust while its fiscal deficit remains under control, which leaves headroom to absorb shocks. Rising inflation could also aid Nominal GDP growth which could in turn reflect in improved topline numbers. The window on RBI's currency hedging incentive on FCNR(B) deposits was shut a month earlier than originally announced as collections of ~USD 127 bn surpassed expectations, which could support the Balance of Payments, boost system liquidity while also easing pressure on INR.
- **Urban demand continues to remain strong.** Sales growth in the Passenger Vehicle segment remains robust, service exports continue to remain strong and healthy credit offtake suggest resilience in underlying demand. However, rising unemployment remains a dampener to consumer confidence. Future implementation of the 8th Pay Commission, continued benefits of lower GST rates and higher disposable income could drive urban consumption over the medium-to-long term.
- **Rural India remains a strong pillar for the economy**. Crop acreage has improved as the rainfall deficit narrowed. Unemployment rate has cooled after rising marginally in the last 2 months and consumption remained robust as seen in strong tractor and 2-wheeler sales growth. With temperatures expected to soar and persistent El Nino conditions, which has led to below-average rainfall, inflationary impulses could pick up in the rural economy which could weigh down on purchasing power and thereby demand.
- **Q1 FY27 results showed strong topline growth across market caps, suggesting a strong demand undercurrent, but some energy-intensive pockets have seen margin erosion**. Ex of the one-off hits in the energy sector, the overall earnings growth has surpassed market expectations. Fund Managers expect Nifty-50 earnings to grow by ~10-12% YoY in FY27, and margin pressures are expected to creep up in Q2 FY27 as the benefits of low cost inventory, available earlier, likely fades off. The Fund Managers expect earnings divergence between NIFTY-50 and the broader market to continue.
- 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. Midcaps remain the expensive of the three. As liquidity conditions have improved, mid and small caps have seen re-rating the in last ~5 months. A key risk remains a slew of primary issuances and FPOs, which could suck the liquidity out of the secondary market. Another key risk is emerging in the form of higher bond yields, globally, which may drive the central banks to tighten monetary conditions. This, if implemented, could have negative implications on global asset markets.
- Fund Managers who can be fairly nimble and identify growth ideas could generate alpha vs their peers. Market seems to be turning towards companies who can show consistent growth and is also willing to pay higher valuation for them. FPIs have continued to remain net buyers for the second consecutive month in Indian equities. India's relative underperformance vs its peers in recent months and depreciated Rupee likely made the Indian markets attractive for them as they moved out of AI-driven markets.
- **Given the emerging positives and negatives, investment deployment strategy could be 50% lumpsum and rest 50% to be staggered over the next 5-6 months. Mutual Fund investors can look at categories like Largecap, Flexicap, Multicap, Large and Midcap and Hybrid funds while using longer STPs as an instrument to invest in Midcap and Smallcap funds. All allocations should be done in line with the risk profile and product suitability of the investor**.

Global: Growth expectations weaken

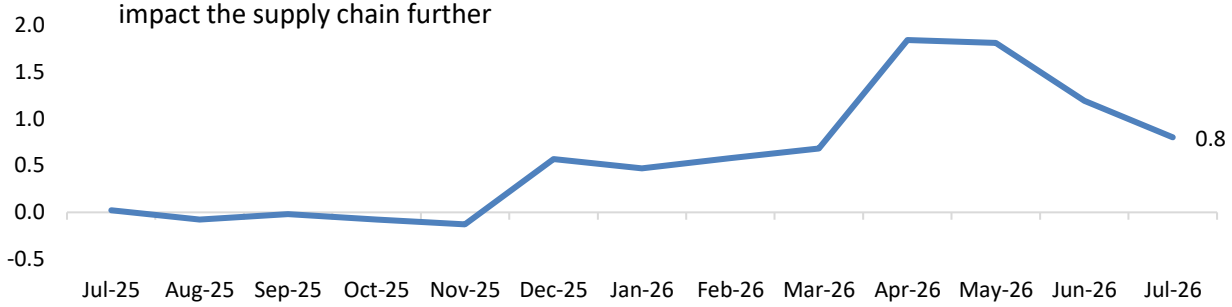
Global growth is expected to weaken on the back of ongoing risks linked to the war in the Middle East



Source: IMF, World Bank

Federal Reserve Bank of New York Global Supply Chain Pressure Index

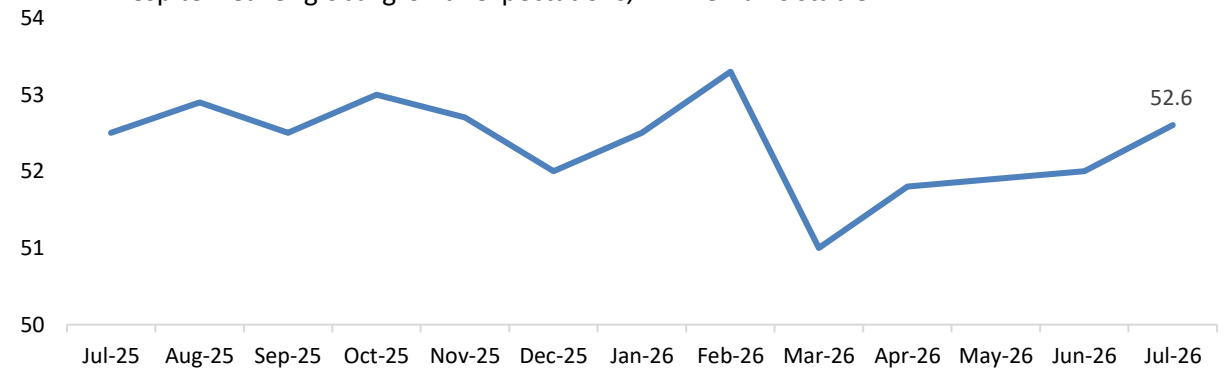
While supply chain pressures have eased, escalation of on going conflict in the Gulf can impact the supply chain further



Source: Bloomberg

JPMorgan Global Composite PMI

Despite weaker global growth expectations, PMI remains stable



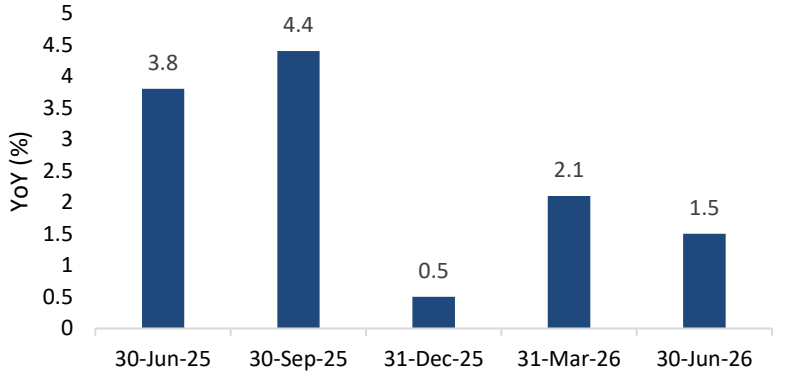
Source: Bloomberg

Classification - Restricted

US: Strong growth endures, while soaring fiscal deficits and climbing bond yields heighten market risks

US GDP

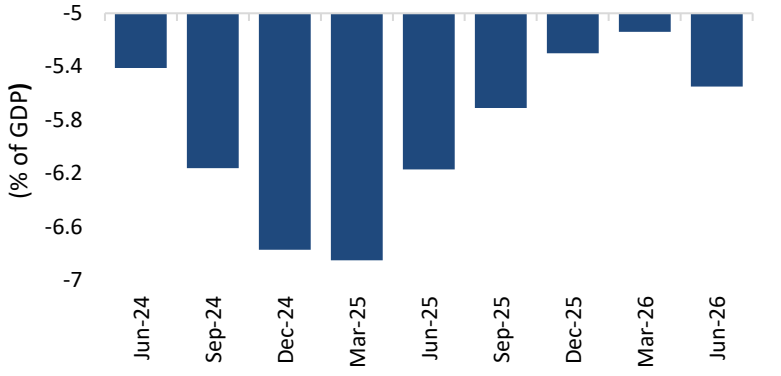
Growth holding up…



Source: Bloomberg

US Fiscal deficit

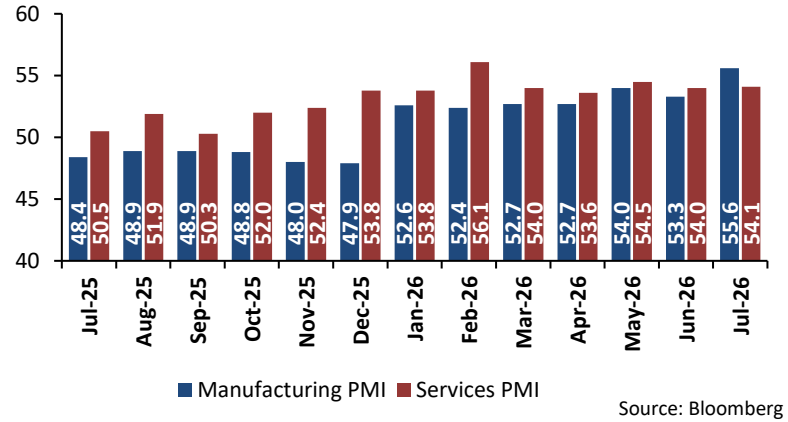
…Driven by higher Fiscal Deficit



Source: Bloomberg

US Manufacturing & Services PMI

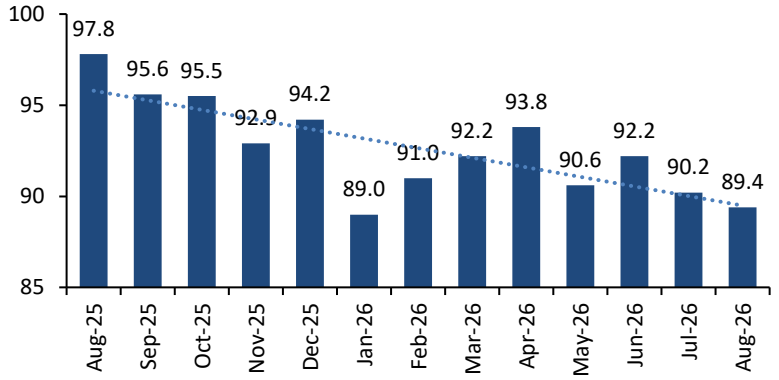
PMI data remains robust



Source: Bloomberg

US Consumer Confidence Index

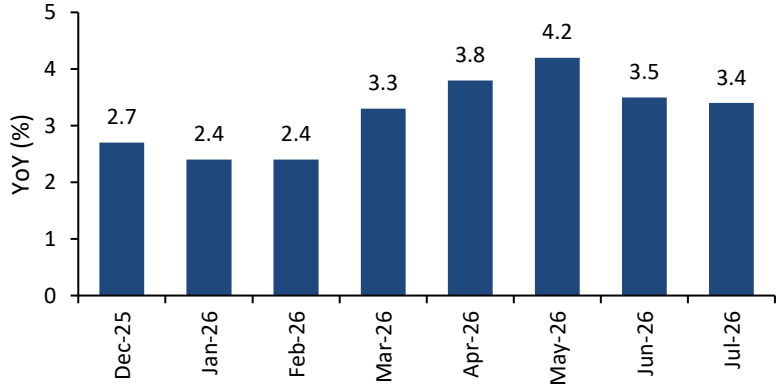
Though weakness visible in consumer sentiments



Source: Bloomberg

US CPI

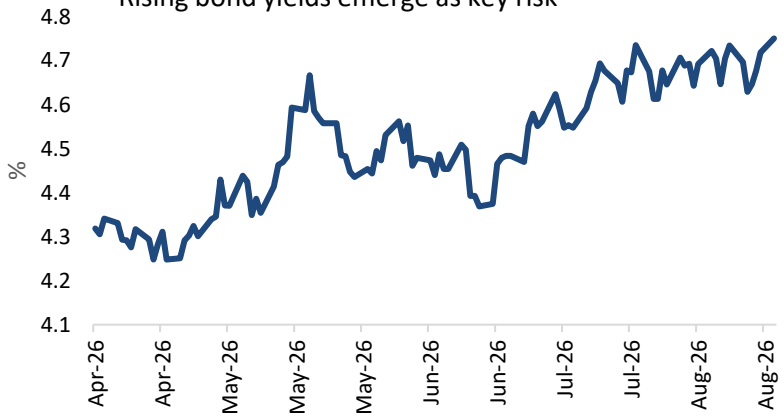
As US inflation remains sticky



Source: Bloomberg

US Generic Govt 10 Yr

Rising bond yields emerge as key risk



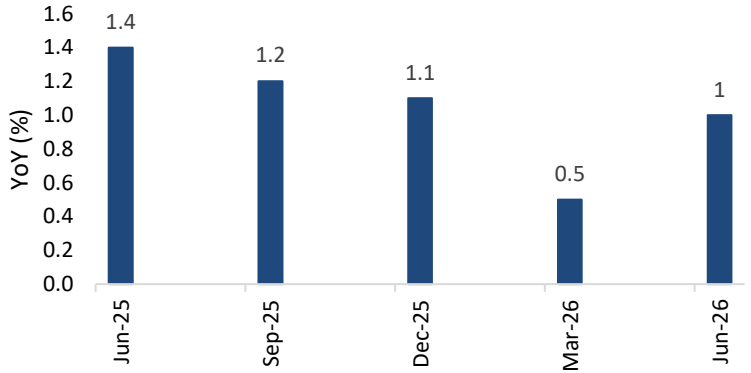
Source: Bloomberg

Classification - Restricted

Europe: Growth holds up, driven by industrial capex spend, but rising bond yields remain a risk here too

Eurozone GDP

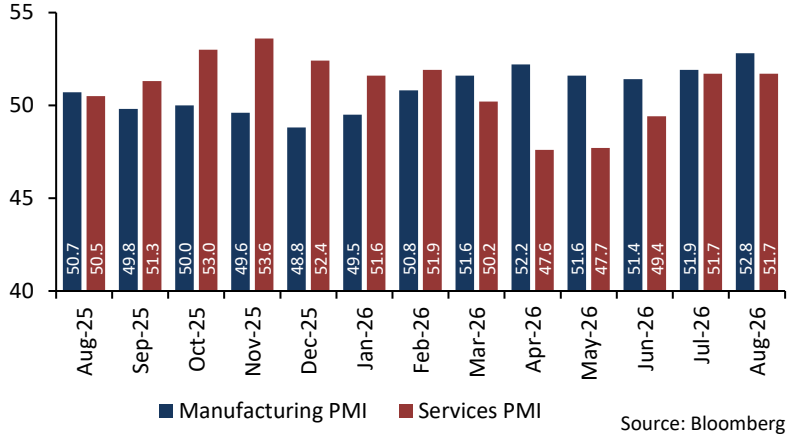
Growth inched up, driven by industrial capex



Source: Bloomberg

S&P Global Eurozone PMI

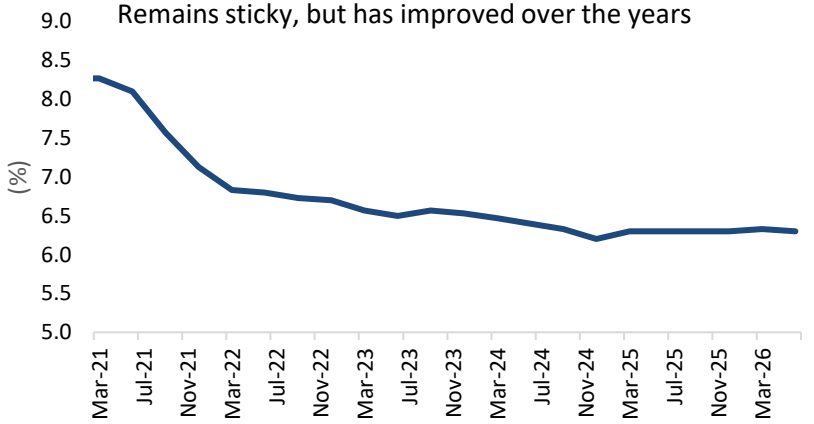
PMI continues to remain robust



Source: Bloomberg

Eurozone Unemployment Rate

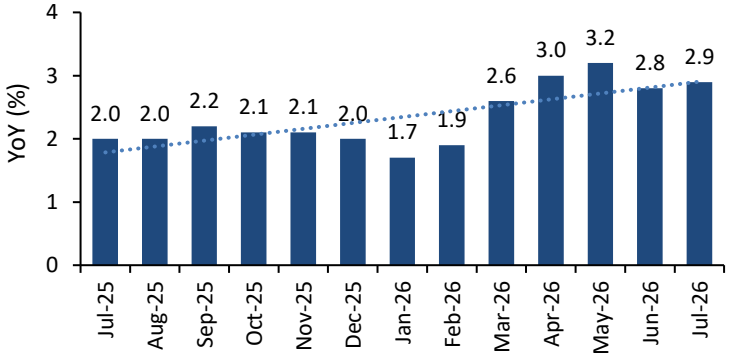
Remains sticky, but has improved over the years



Source: Bloomberg

Eurozone CPI

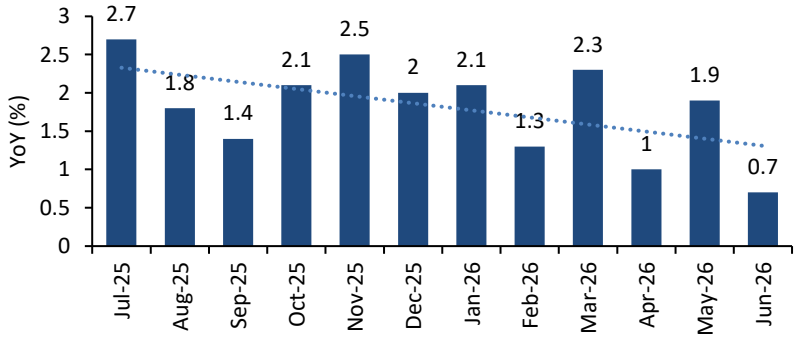
Inflation continues to remain above ECB's target of 2%...



Source: Bloomberg

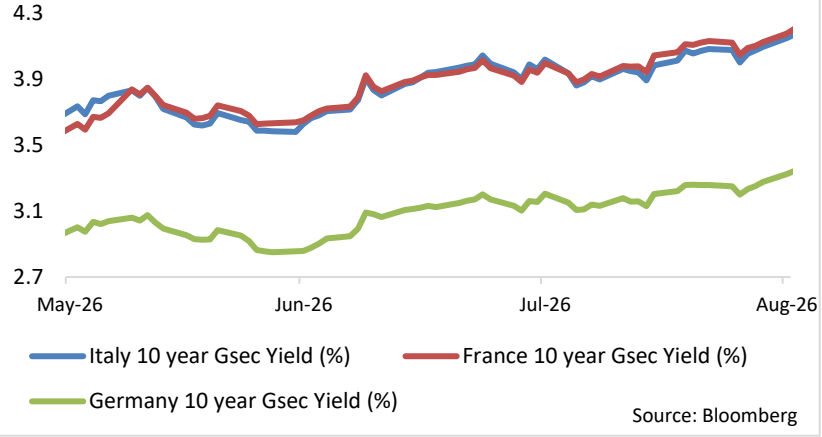
Eurozone Retail Sales

Rising inflation impacts consumer sentiments as visible in falling retail sales



Source: Bloomberg

Higher inflation pushes bond yields higher across EU nations



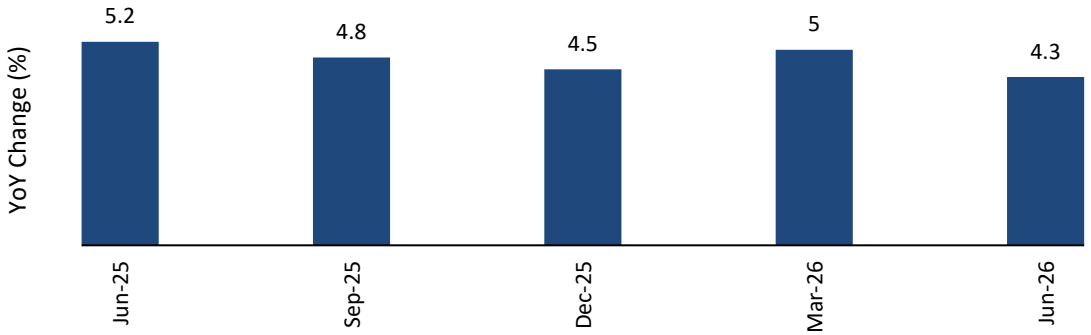
Source: Bloomberg

Classification - Restricted

China: Domestic growth below expectations… Exports only silver lining

China Quarterly GDP growth

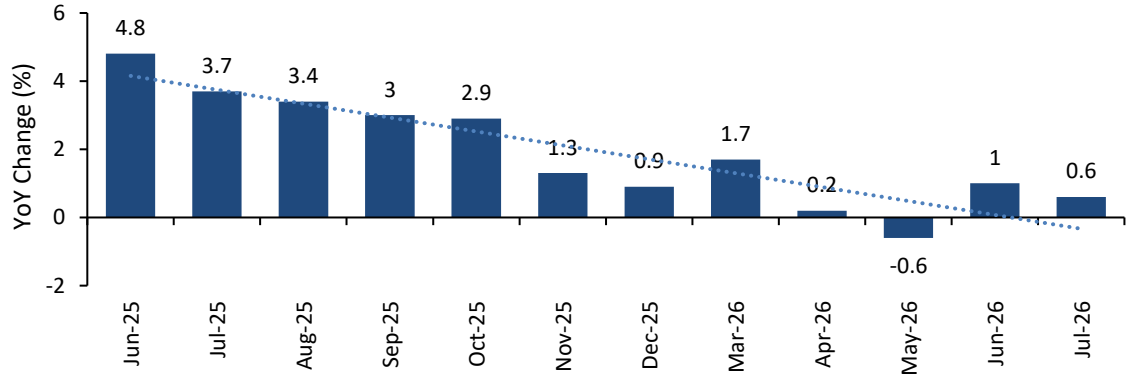
Remains below their expectation of 5%



Source: Bloomberg

China Retail Sales

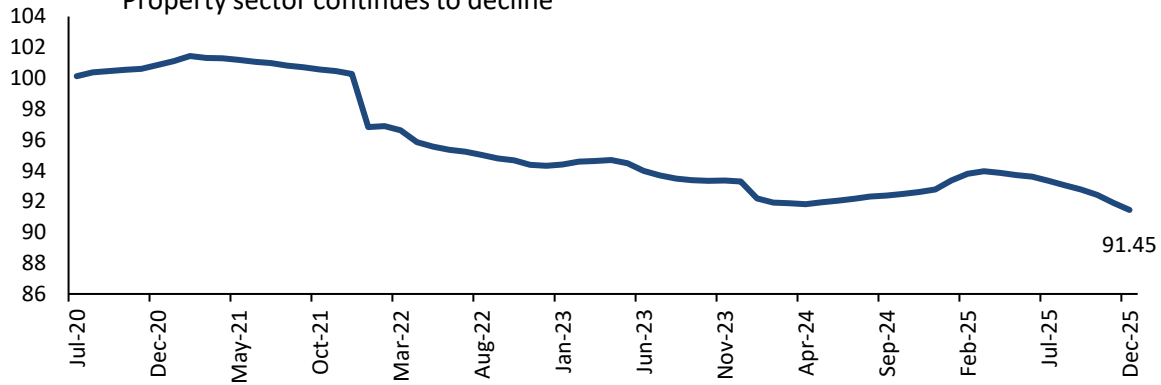
Remain weak



Source: Bloomberg

China Real Estate Climate Indicator

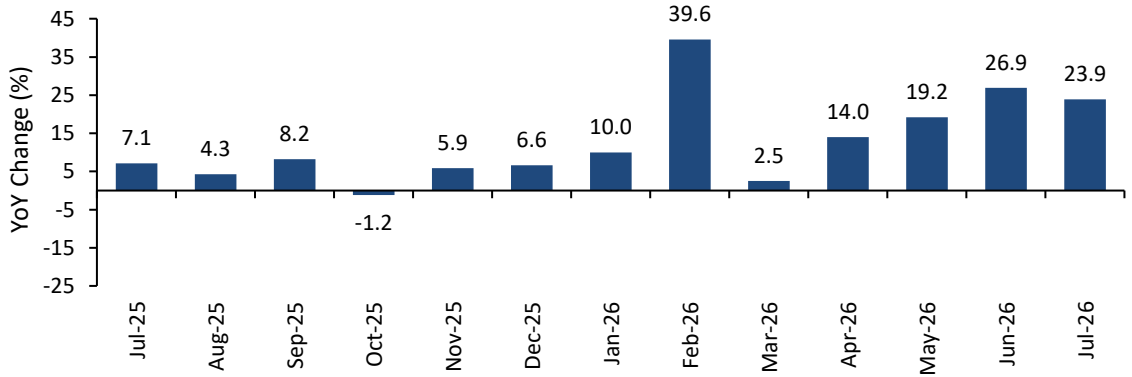
Property sector continues to decline



Source: Bloomberg

China's Export Growth

Exports remain strong, supporting the otherwise weaker domestic economy



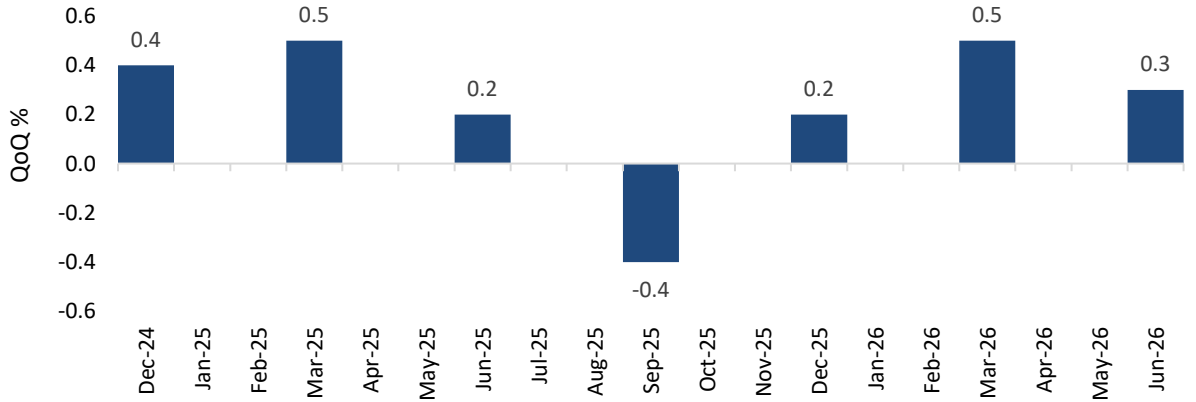
Source: Bloomberg

Classification - Restricted

Japan: Higher inflation can push the BOJ to raise rates further and, along with currency volatility, can together impact global carry trade

Japan GDP growth

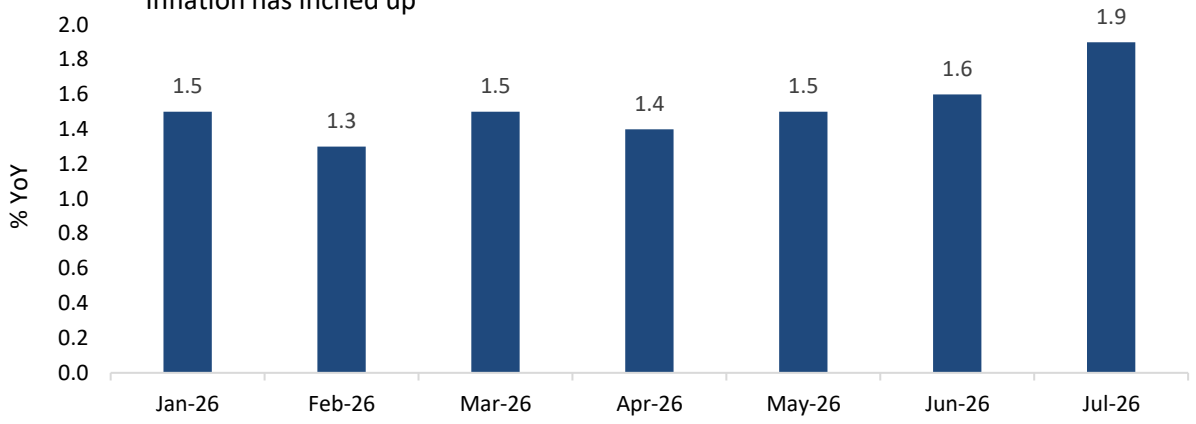
Lower than expectations



Source: Bloomberg

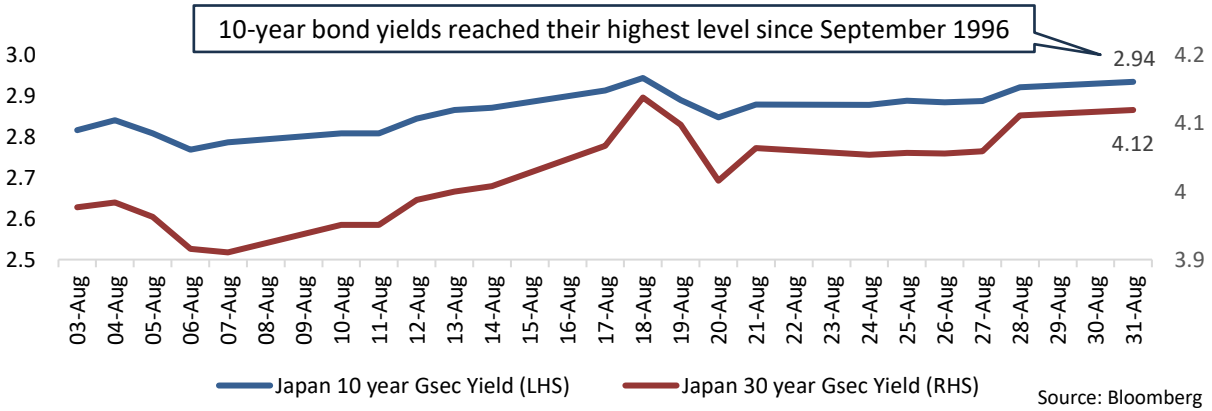
Japan CPI Nationwide

Inflation has inched up



Source: Bloomberg

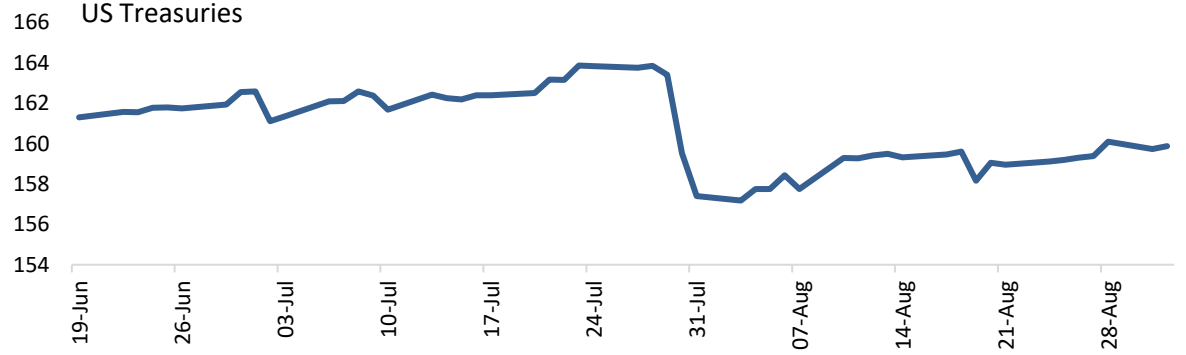
Higher bond yields can have implications for global carry trade



Source: Bloomberg

USD/JPY

US Treasury Department intervened to protect the Yen to likely dissuade them from selling US Treasuries

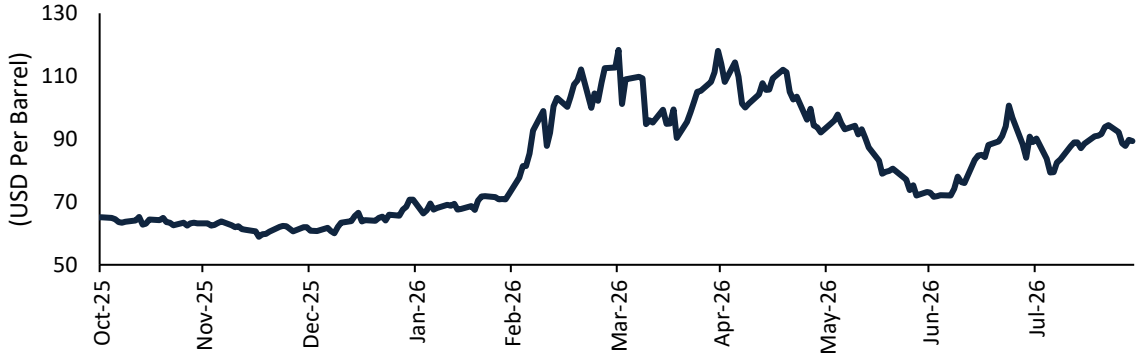


Source: Bloomberg

Commodities: Inched up on back of re-escalation in West Asia war… Food inflation remains a key monitorable

Brent Crude

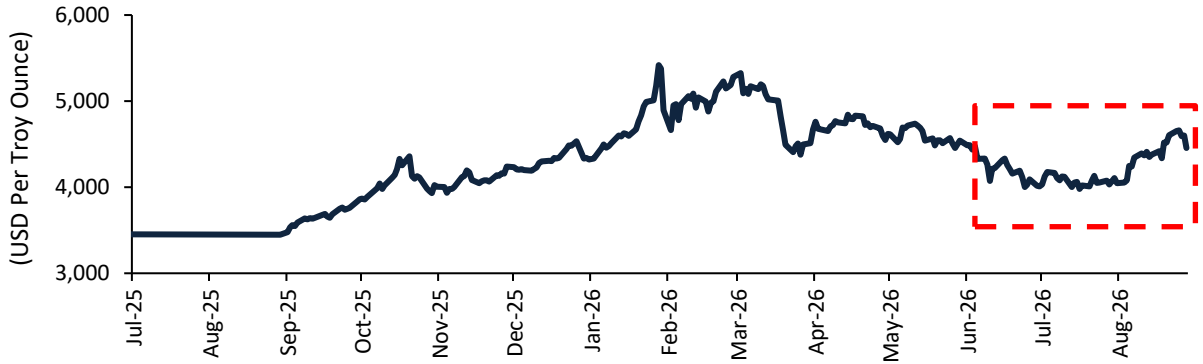
On going war in West Asia keeps the crude prices volatile



Source: Bloomberg

Gold Price

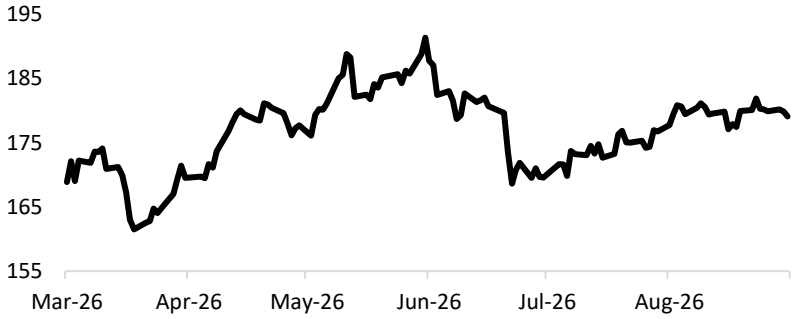
Rose as Central Banks seem to be turning hawkish



Source: Bloomberg

Bloomberg Industrial Metals Index

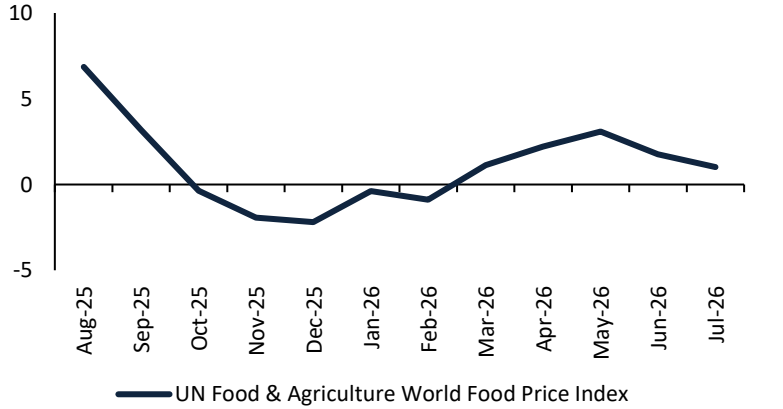
Metal index continued its uptrend after a brief pullback, supported by grid upgrades, renewable energy investments, and robust EV manufacturing demand



Source: Bloomberg

Food Inflation

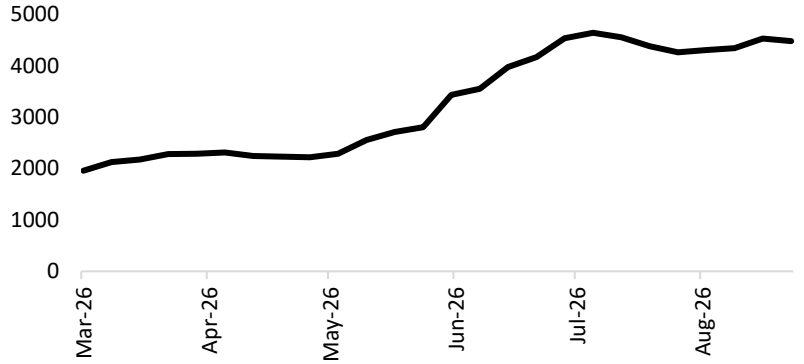
Moderates, though impact of El-Nino could gradually come in



Source: Bloomberg

Drewry World Container Index

Container rates remain high on back of ongoing West Asia War

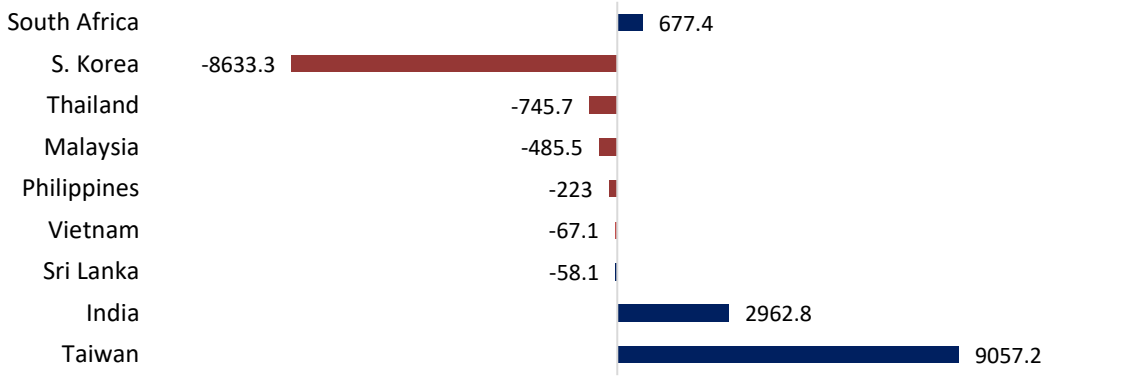


Source: Bloomberg

Classification - Restricted

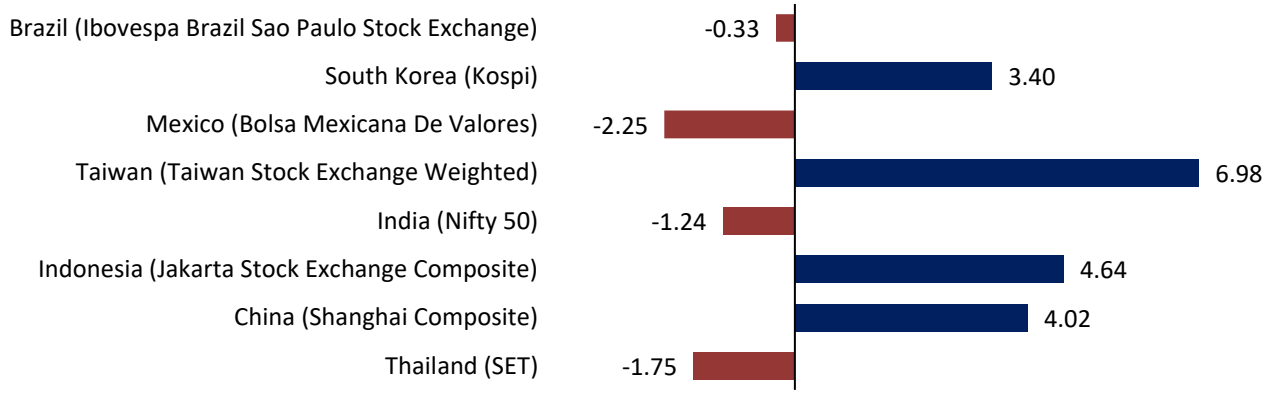
Emerging Markets: Performance mixed as DXY remains volatile… India sees inflows

Net Flows in Emerging Markets remained mixed during August 2026 (USD Mn)



Source: Bloomberg

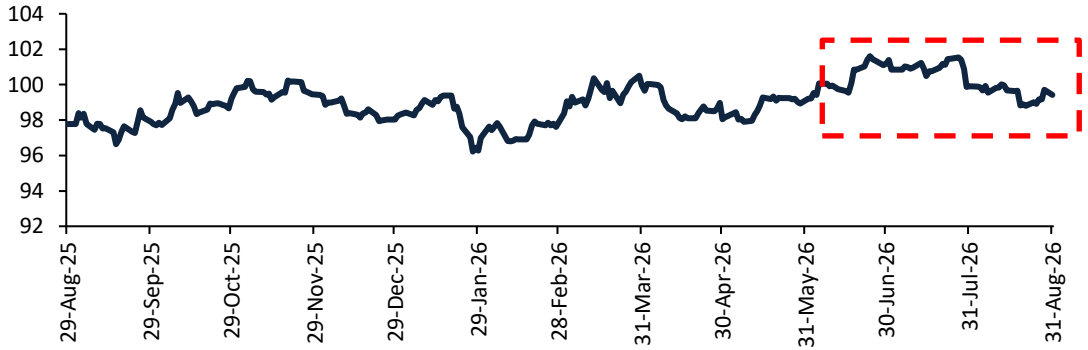
Emerging Markets - Absolute Returns of major equity indices in August 2026 (%)



Source: Bloomberg

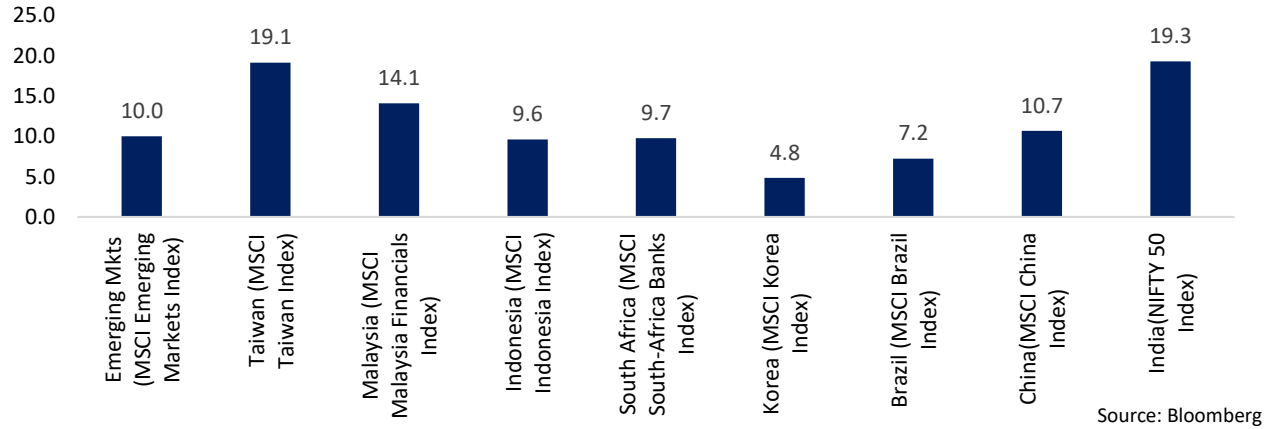
US Dollar Index

Remains volatile



Source: Bloomberg

12M Expected Fwd PE of Various Economies

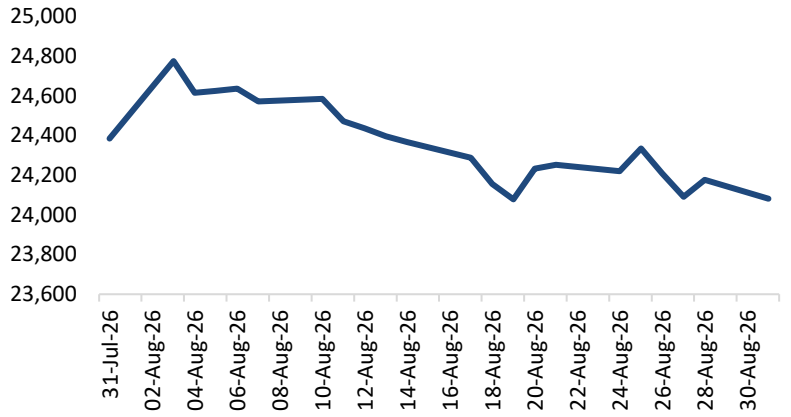


Source: Bloomberg

Classification - Restricted

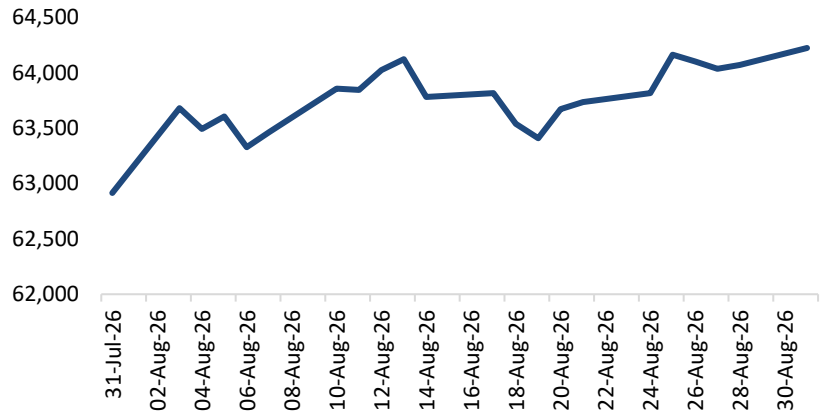
August turns out to be a mixed month for the markets. Supported by FPI and DII flows, Mid and Small caps outperform Large caps

Nifty 50 price movement



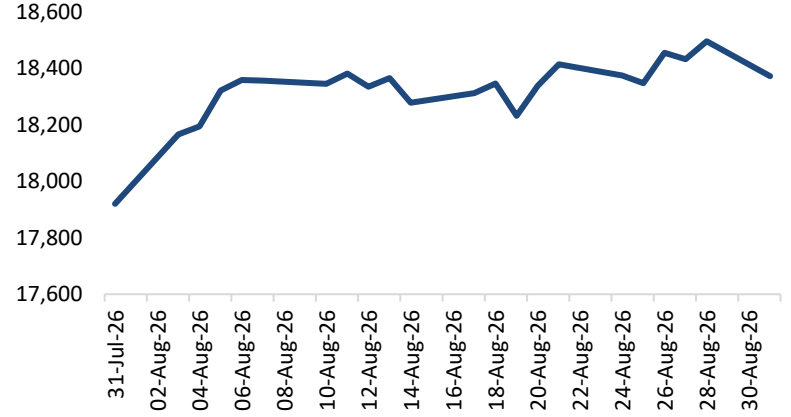
Source: Bloomberg

Nifty Midcap100 price movement



Source: Bloomberg

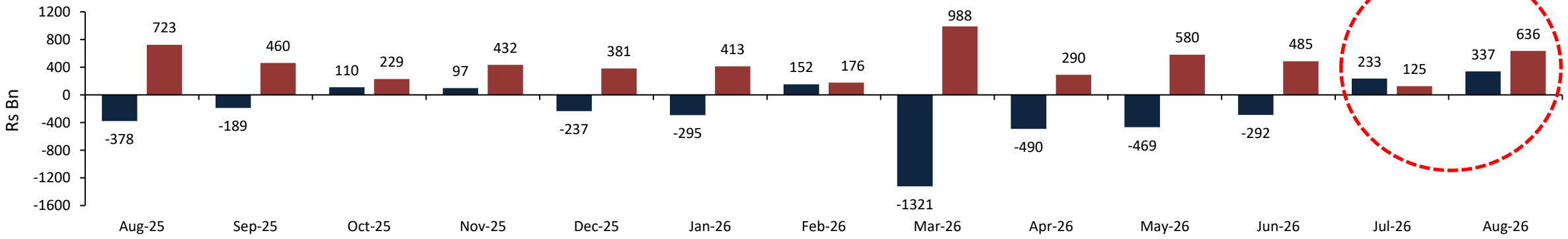
NiftySmallcap 250 price movement



Source: Bloomberg

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

FPIs and DIIs were buyers in month of August 2026



*For 2026, FPI and DII data is up to 31st & 28th August respectively.

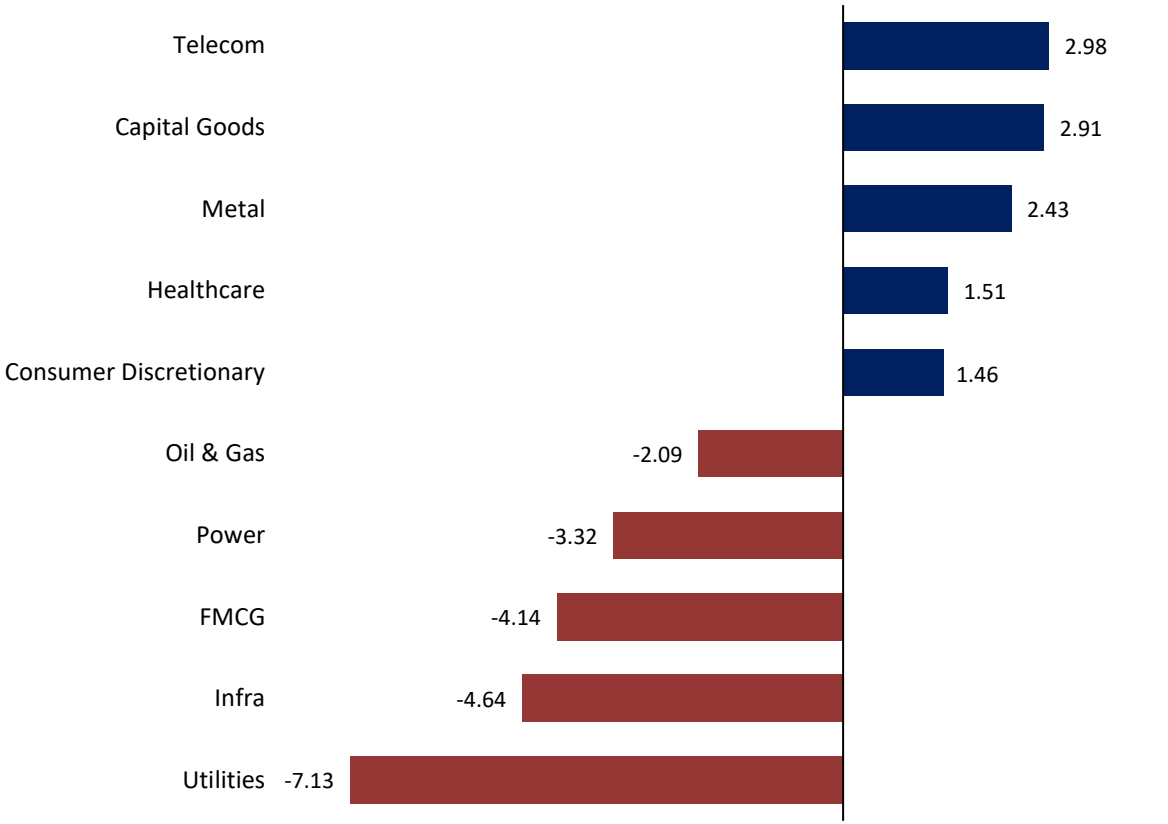
**Net Flows In Equities is the sum total of flows in Stock Exchange and Primary market & others

Source: SEBI, CDSL

Classification - Restricted

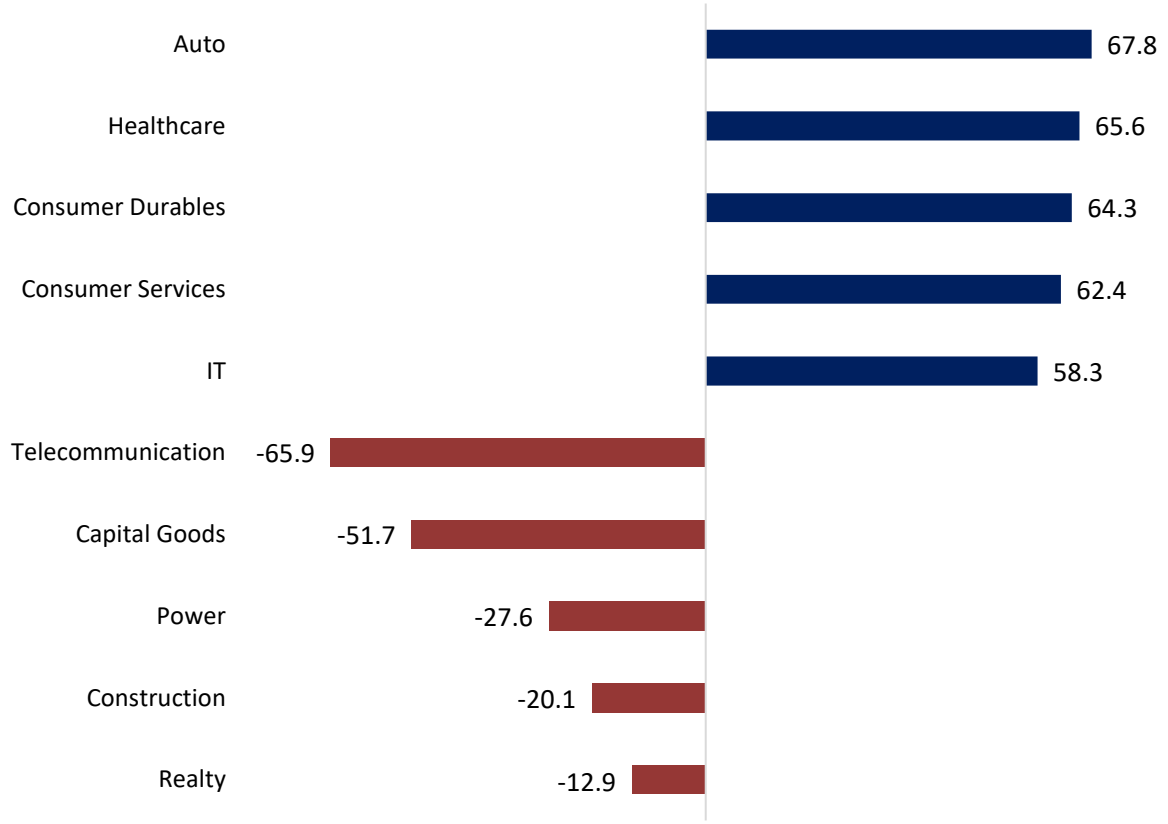
Sectoral performance and FPI flows in August 2026

S&P BSE Sectors - Absolute Return In August 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 July 16, 2026 till August 15, 2026



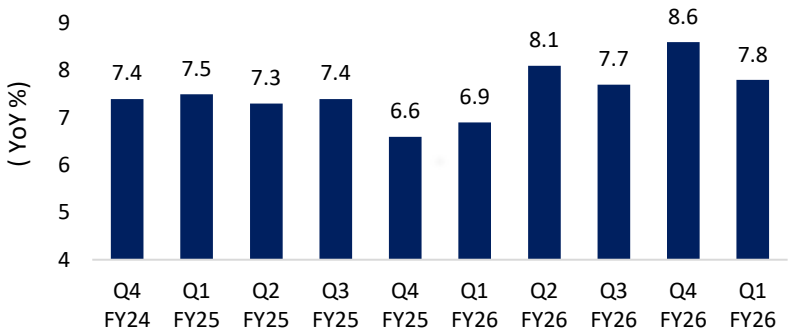
Source: NSDL

Classification - Restricted

India GDP: Surprises on the upside

India Quarterly Real GDP Growth

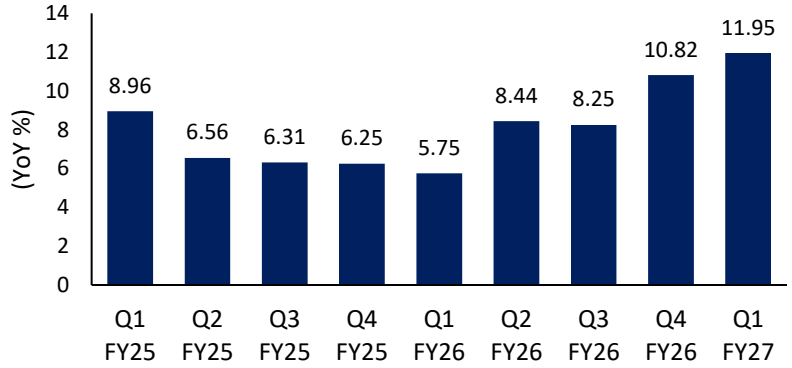
Q1 FY27 GDP remained robust despite the ongoing West Asia War



Source: Bloomberg

Gross Fixed Capital Formation

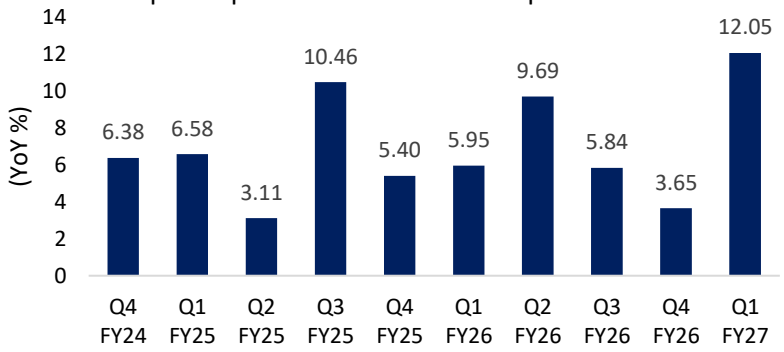
Momentum picking up



Source: Bloomberg

Exports of Goods and Services

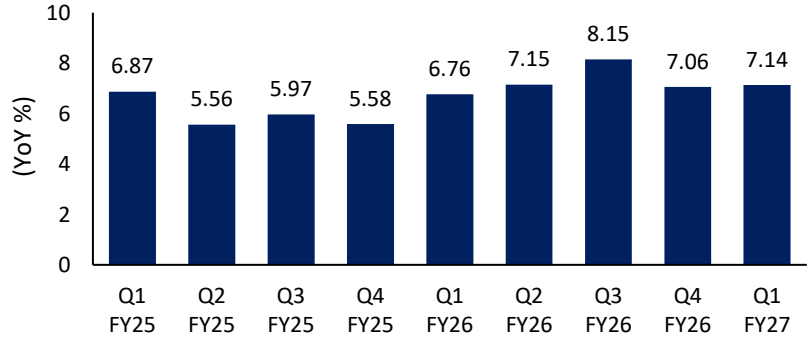
One of key drivers for growth in this quarter, though Rupee depreciation has aided this part



Source: Bloomberg

Private Final Consumption Expenditure

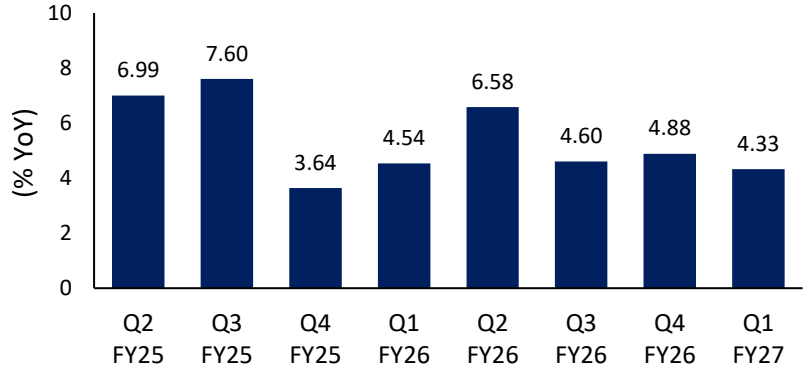
Higher crude prices and expectations of an inflation uptick kept consumption subdued



Source: Bloomberg

Govt Final Consumption Expenditure

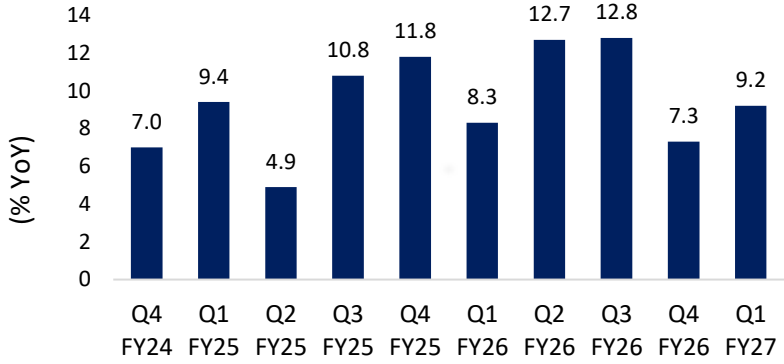
Continues to remain subdued



Source: Bloomberg

India Manufacturing Growth

Remains weak

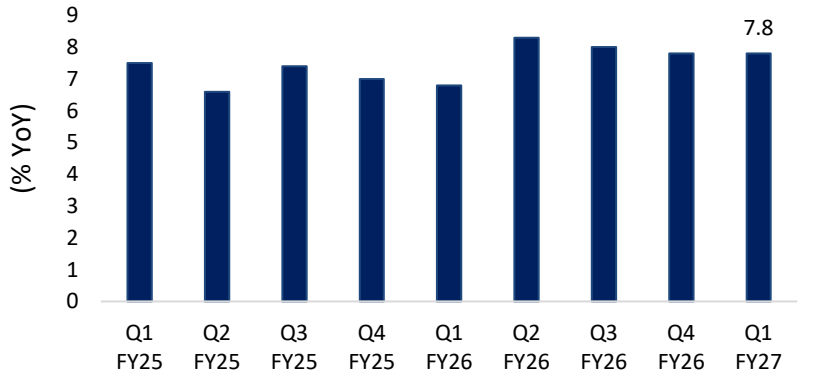


Source: Bloomberg

India Macros: Condition strengthens

Real GDP Growth

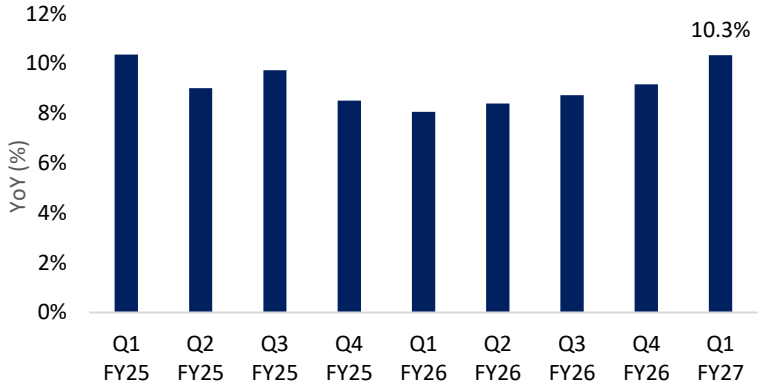
India continues to remain the fastest growing economy



Source: Bloomberg

Nominal GDP Growth

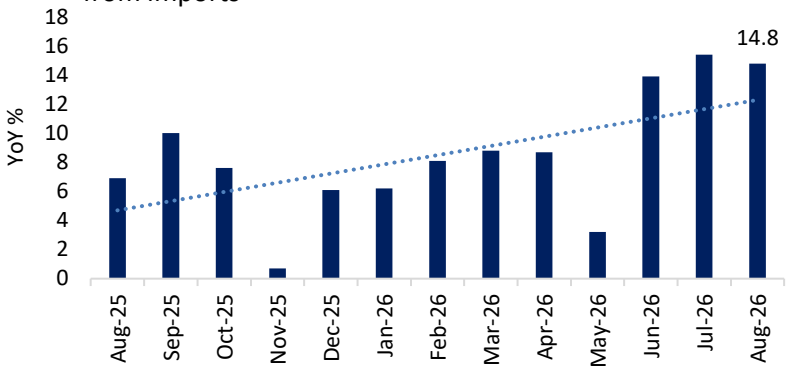
With high inflation, Nominal GDP has also improved



Source: Bloomberg

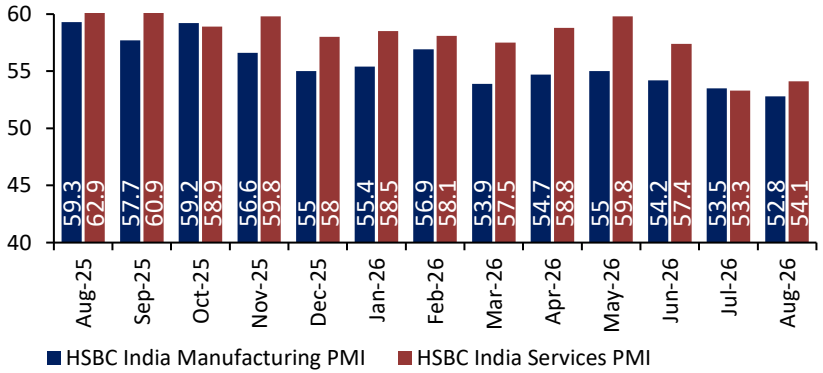
GST Revenue

GST mop up remains healthy with significant contribution from imports



Source: RBI

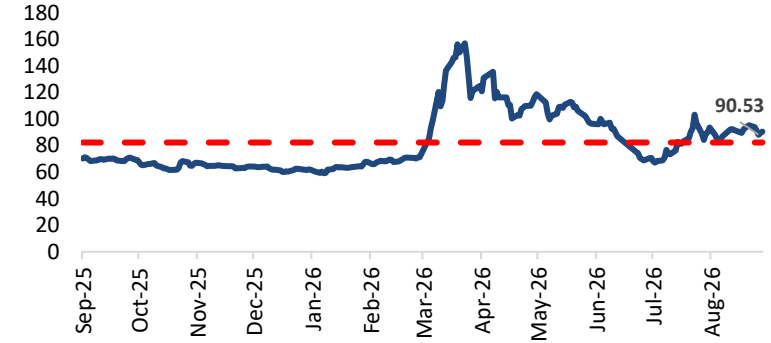
Services and Manufacturing PMI remains robust



Source: Bloomberg

Indian Crude Basket

High Brent crude prices remains a concern given renewed conflict in West Asia



Source: Bloomberg

Strong FCNR(B) collection to support BOP and keep INR stable

Type	Amount (~USD bn)
FCNR(B) Deposits	127.22
OFCBs (Overseas Foreign Currency Borrowings)	5.26
ECBs (External Commercial Borrowings)	3.89
Total	**136.38**

Data as on 31st Aug'26

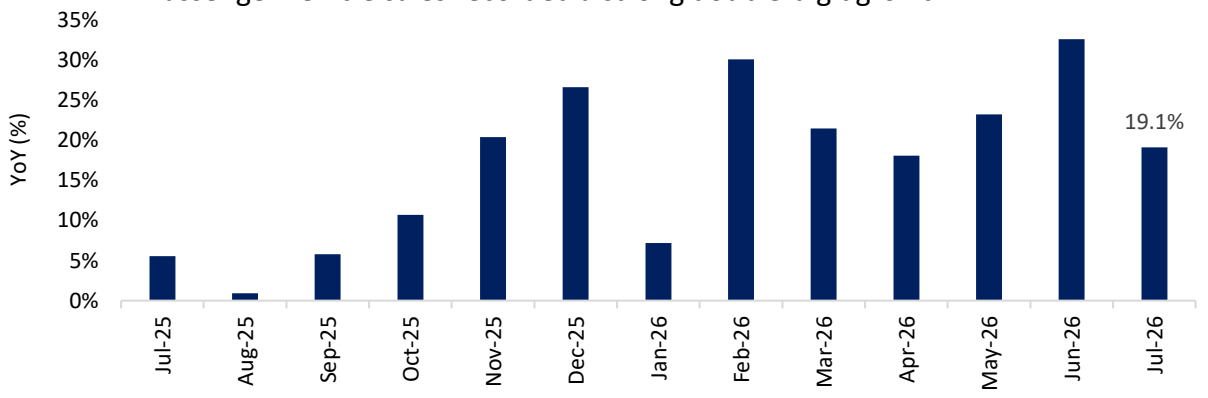
Source: RBI

Classification - Restricted

Urban Economy: Demand remains strong

Passenger Vehicle Registrations

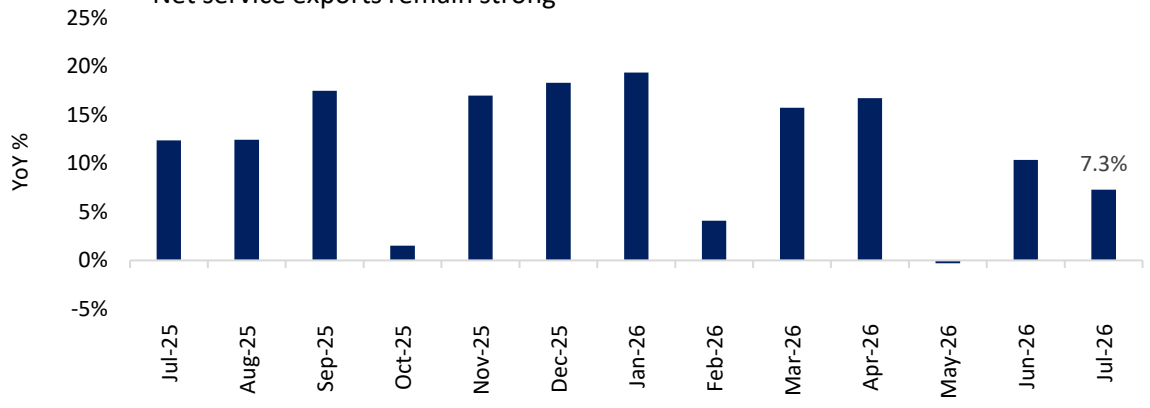
Passenger vehicle sales recorded a strong double-digit growth



Source: Bloomberg

India Net Service Exports

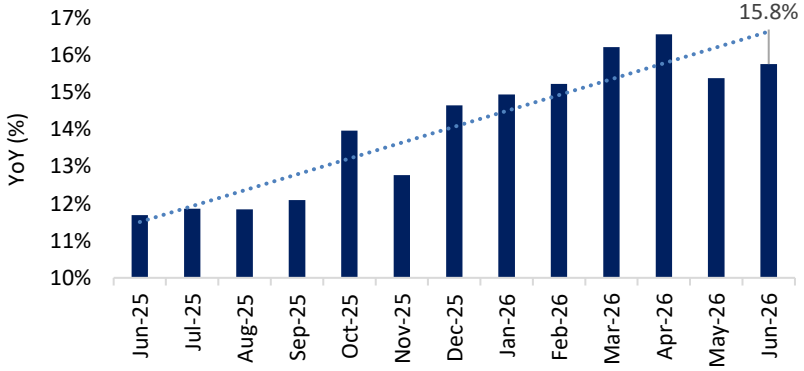
Net service exports remain strong



Source: Bloomberg

Banking Sector Personal Loan Growth

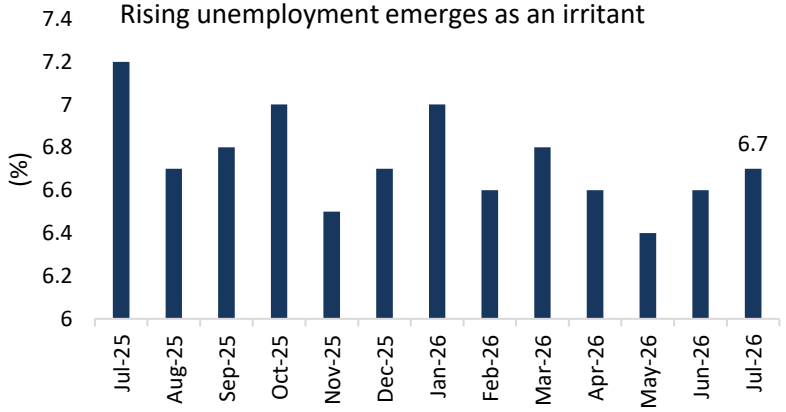
Personal loan growth remains strong



Source: Bloomberg

Urban Unemployment

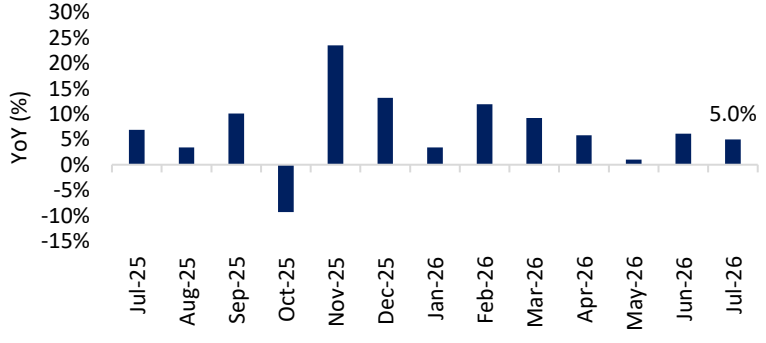
Rising unemployment emerges as an irritant



Source: RBI

Naukri JobSpeak Index

Hiring has moderated primarily in the education, hospitality, and pharma sectors

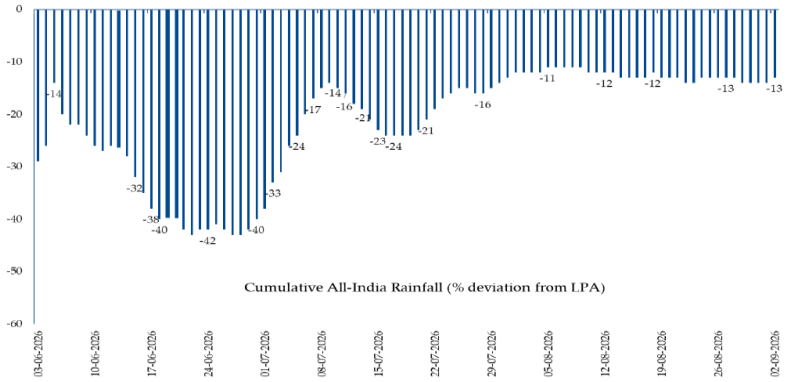


Source: RBI

Rural Economy: Remains a strong pillar for growth

Monsoon deficit has reduced

Cumulative All-India rainfall deficit has held near 13% of LPA since early August



Source: IMD, HDFC Bank Treasury Research Desk

East & Northeast and South India continued to remain deficient

	Cumulative Rainfall (% of LPA)									
as of	30th Jun	9th Jul	14th Jul	21st Jul	28th Jul	5th Aug	12th Aug	18th Aug	27th Aug	2nd Sep
East & North East	-40%	-38%	-35%	-32%	-30%	-27%	-27%	-24%	-27%	-24%
North West	-31%	-9%	-16%	-18%	-10%	-12%	-11%	-11%	-10%	-9%
Central	-50%	3%	-11%	-13%	-3%	2%	0%	-1%	-2%	-5%
South	-27%	-15%	-24%	-26%	-28%	-18%	-19%	-22%	-22%	-25%
All-India	-40%	-14%	-21%	-21%	-16%	-11%	-12%	-12%	-13%	-13%

Source: IMD, HDFC Bank Treasury Research Desk Note: shades of green reflect normal rainfall while red and amber shows below normal rain

Progress in Kharif Sowing

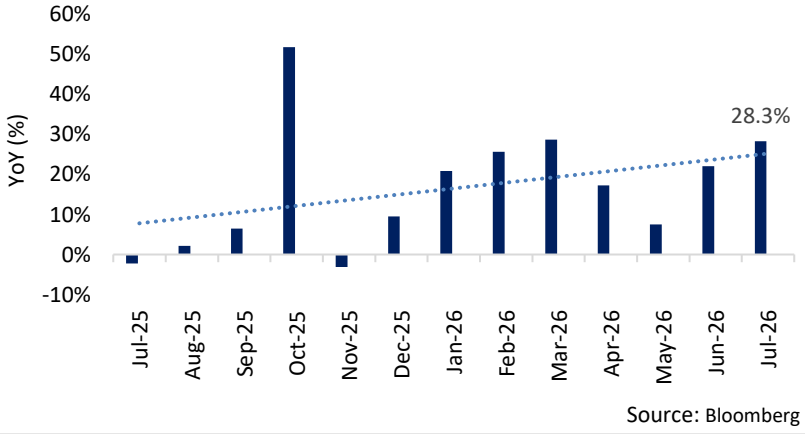
Sowing acreage has improved

Crops	Sown Area, % y-o-y											
	12th June	19th June	25th June	5th July	10th July	17th July	24th July	31st July	7th Aug	14th Aug	21th Aug	28th Aug
Total	-3.9	1.7	-22.7	-20.8	-16.0	-6.0	-4.7	-2.9	-1.8	-2.0	-1.5	-1.7
Rice	28.4	52.8	-25.2	-13.1	-8.6	-0.8	-2.6	-2.2	-4.4	-3.7	-3.2	-3.4
Coarse Cereals	10.4	26.6	-11.7	-16.3	-22.5	-11.2	-11.9	-7.5	-2.7	-2.4	-1.9	-2.3
Jowar	-8.8	24.3	25.2	-7.4	-23.6	-12.5	-11.1	-3.6	1.7	5.5	6.3	6.8
Maize	-12.0	6.6	-15.6	-5.9	-19.5	-5.0	-9.7	-7.3	-3.8	-4.0	-4.1	-4.1
Ragi	3.3	14.8	-9.6	-4.5	-16.2	-27.4	-27.8	-33.2	-9.7	-34.2	-27.1	-30.3
Pulses	-43.2	12.8	-30.5	-21.8	-23.3	-15.1	-7.5	-6.3	-1.8	-0.3	1.3	1.2
Tur	-57.1	1.3	-57.9	-41.2	-30.3	-17.8	-11.6	-9.2	-6.5	-4.0	1.0	0.6
Urad	-22.9	-36.7	-57.4	-35.0	-29.7	-5.9	8.1	10.7	12.7	13.1	12.2	11.7
Oil Seeds	-0.8	-10.7	-53.3	-39.3	-21.0	-5.5	-2.1	0.7	3.0	-0.5	-0.2	-0.5
Cotton	-27.7	-24.9	-34.6	-23.0	-15.3	-6.0	-3.9	-2.4	-0.4	-0.9	-0.3	-0.4

Source: UPAG, HDFC Bank Treasury Research Desk

Two Wheeler Sales

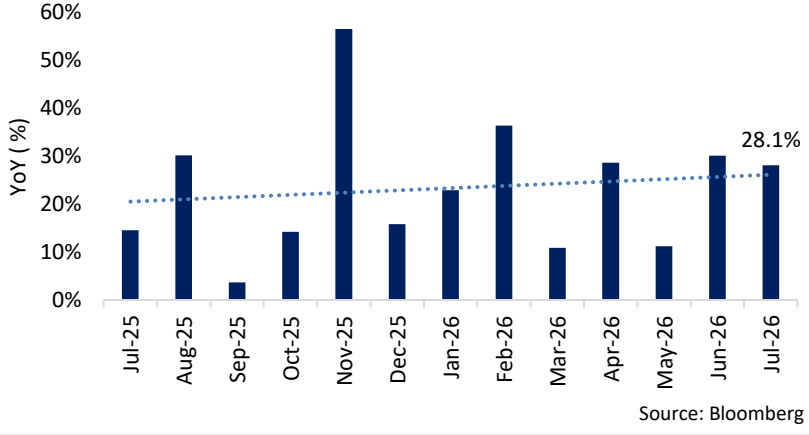
Two wheeler sales growth remains robust



Source: Bloomberg

India Tractor Sales

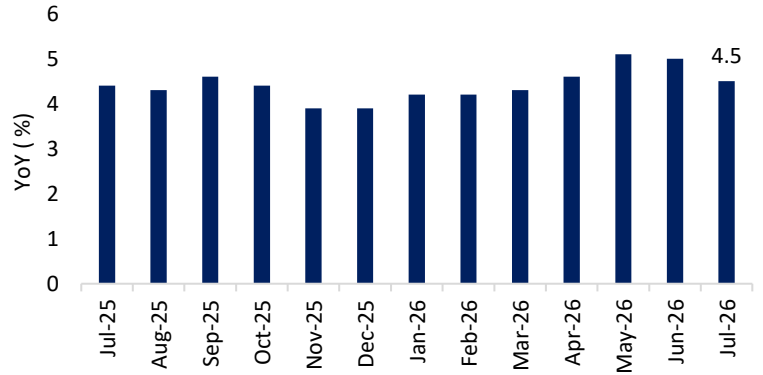
Tractor sales growth continues in double digits



Source: Bloomberg

Rural Unemployment Rate

Decline is seen in rural unemployment rate



Source: RBI

Q1 FY27 earnings season concluded on a strong note as evidenced by the robust top line growth… Ex one offs, results exceeded expectation

Nifty 100

Sector	Net Sales - YoY Growth (%)			EBITDA - YoY Growth (%)			PAT - YoY Growth (%)		
	Q1 FY27	Q4 FY26	Q1 FY26	Q1 FY27	Q4 FY26	Q1 FY26	Q1 FY27	Q4 FY26	Q1 FY26
Automobile and Auto Components	21.21	17.73	-0.85	8.37	2.11	-19.38	4.28	10.02	-8.57
Capital Goods	17.28	10.41	11.89	7.44	5.22	6.60	8.58	8.82	-1.53
Chemicals	39.14	25.03	16.29	53.57	45.38	16.30	50.36	47.38	18.23
Construction	6.69	11.25	15.53	1.80	4.85	15.59	15.20	3.00	25.74
Construction Materials	15.77	13.37	15.14	17.49	16.62	45.70	14.45	22.97	44.47
Consumer Durables	31.89	34.23	12.15	51.46	27.30	16.52	51.10	50.43	16.10
Consumer Services	54.67	56.39	27.25	34.04	44.36	1.96	20.72	29.65	-6.67
Fast Moving Consumer Goods	4.94	7.01	8.85	-4.39	10.46	-0.96	-2.88	14.01	2.83
Financial Services	8.43	4.48	9.73	20.05	16.28	23.83	16.43	8.16	6.93
Healthcare	13.08	9.48	10.38	-12.49	-16.33	10.90	-10.15	-15.65	-0.11
Information Technology	14.04	11.24	4.19	15.45	13.70	3.08	9.64	12.03	5.52
Metals & Mining	27.66	19.70	-8.12	68.43	41.46	-8.30	61.45	103.65	-2.24
Oil Gas & Consumable Fuels	29.09	8.77	1.84	-36.66	16.38	17.55	-40.25	19.64	39.94
Power	13.13	-1.58	1.05	25.73	-7.58	-6.74	38.84	123.08	-6.37
Realty	1.11	-11.21	47.51	57.70	-20.13	40.60	59.02	-2.50	29.69
Services	19.52	8.28	11.67	-25.72	-67.71	-2.64	-37.82	-87.33	-5.98
Telecommunication	18.35	15.68	28.45	24.03	21.56	67.70	34.89	-25.88	57.32
Grand Total	19.62	10.38	4.56	6.09	11.17	8.57	4.43	17.98	11.17
Ex-Financials	23.08	12.18	3.07	3.82	10.46	6.43	-2.60	23.71	13.81

Data as on 27th August 2026 and pertains to 98 companies within the Nifty 100 universe
Source: Capitaline, HDFC Bank Research
Note: Oil & Gas and Services sector on back of geopolitical issue has pulled the overall PAT lower for the large cap companies

Nifty Midcap 150

Sector	Net Sales - YoY Growth (%)			EBITDA - YoY Growth (%)			PAT - YoY Growth (%)		
	Q1 FY27	Q4 FY26	Q1 FY26	Q1 FY27	Q4 FY26	Q1 FY26	Q1 FY27	Q4 FY26	Q1 FY26
Automobile and Auto Components	20.87	19.33	5.14	12.08	31.09	-4.90	-0.92	29.78	11.29
Capital Goods	27.41	26.13	13.77	42.07	34.00	24.10	40.69	28.98	29.55
Chemicals	14.82	14.23	12.58	5.12	-0.01	31.54	13.00	-16.12	105.28
Construction	10.55	4.18	-4.05	295.73	-38.95	-74.79	18.73	-60.11	-40.00
Construction Materials	5.00	10.82	12.45	-31.04	-15.95	43.17	-43.94	-37.85	58.75
Consumer Durables	24.08	13.94	23.91	6.27	8.63	-2.91	41.44	13.13	-7.23
Consumer Services	24.83	28.43	27.42	564.41	290.33	-78.22	1,152.98	133.16	-123.14
Diversified	21.49	30.31	6.82	30.01	82.01	19.94	-16.24	116.67	13.16
Fast Moving Consumer Goods	17.44	14.83	18.55	24.19	17.27	-6.87	17.75	34.99	-0.39
Financial Services	9.72	10.48	7.82	17.22	-28.73	16.45	27.29	31.19	7.06
Healthcare	19.52	12.72	10.84	27.54	28.57	21.09	29.07	29.89	-6.08
Information Technology	28.02	17.75	16.74	54.09	27.32	7.96	39.36	27.91	13.36
Metals & Mining	16.02	21.77	11.19	61.43	44.31	23.71	59.36	41.95	33.37
Oil Gas & Consumable Fuels	21.56	2.40	-3.39	-228.00	40.16	84.55	-197.77	62.94	82.19
Power	12.32	24.87	11.60	18.68	58.19	9.10	-18.74	56.09	5.77
Realty	18.68	80.77	-4.64	14.01	95.16	-19.89	-5.65	77.01	-4.22
Services	14.98	20.04	19.36	29.77	44.57	27.94	52.08	96.77	133.37
Telecommunication	7.03	5.25	7.55	15.07	11.68	10.10	67.08	1,402.37	-16.82
Textiles	9.05	6.06	6.59	10.22	7.23	8.27	9.15	10.13	12.20
Grand Total	16.13	13.41	8.20	-0.65	8.89	17.53	8.72	107.75	13.87
Ex-Financials	19.68	15.16	8.41	-9.18	31.91	18.05	-7.72	182.22	20.65

Data as on 27th August 2026 and pertains to 145 companies within the Nifty Midcap 150 universe
Source: Capitaline, HDFC Bank Research
Note: PAT and EBITDA looks lower on back of Oil & Gas sector due to a one-off outlier result, stemming from geopolitical issues.

Nifty Smallcap 250

Sector	Net Sales - YoY Growth (%)			EBITDA - YoY Growth (%)			PAT - YoY Growth (%)		
	Q1 FY27	Q4 FY26	Q1 FY26	Q1 FY27	Q4 FY26	Q1 FY26	Q1 FY27	Q4 FY26	Q1 FY26
Automobile and Auto Components	18.94	19.65	9.99	21.68	93.52	-7.20	38.55	88.26	-8.34
Capital Goods	27.19	12.27	3.42	15.01	-3.27	-3.16	19.66	-23.43	3.35
Chemicals	13.93	10.76	16.60	31.08	1.21	13.53	22.61	-95.17	26.86
Construction	1.60	-0.24	9.14	6.42	-6.50	16.62	6.02	2.04	26.51
Construction Materials	10.44	8.32	4.54	-3.54	62.97	137.81	128.97	206.56	-1,606.48
Consumer Durables	13.94	5.17	8.66	4.75	-6.52	-2.35	-8.52	-92.35	-17.24
Consumer Services	12.89	16.32	16.04	9.36	16.11	46.89	28.87	13.21	154.12
Diversified	9.22	11.65	13.42	8.45	-26.05	18.87	508.13	107.26	13.48
Fast Moving Consumer Goods	14.10	14.24	13.56	14.49	3.74	3.32	11.50	9.76	9.70
Financial Services	15.17	12.20	10.81	42.53	-34.62	2.01	30.11	-39.61	6.20
Forest Materials	30.40	-79.07	-58.67	-31.11	-337.23	-288.50	-41.56	13.13	-574.90
Healthcare	21.51	16.88	8.85	9.71	1.32	1.92	2.09	0.54	-11.53
Information Technology	21.16	12.15	11.43	25.58	14.30	13.13	16.19	10.65	22.91
Media Entertainment & Publication	13.20	9.95	1.99	17.65	-30.27	26.73	-2.14	35.75	100.45
Metals & Mining	17.72	24.75	41.18	30.76	1,005.10	42,573.26	35.25	858.58	6,512.13
Oil Gas & Consumable Fuels	85.25	0.55	-14.56	232.53	64.81	-45.26	260.85	28.84	-42.19
Power	8.78	4.13	2.30	15.77	-18.67	20.82	21.01	-79.24	15.76
Realty	-0.39	38.21	38.62	8.82	4.47	18.66	20.18	237.57	80.76
Services	33.58	24.31	16.37	88.84	49.10	-5.36	81.08	24.79	-4.08
Telecommunication	51.46	-9.88	-35.92	586.57	197.72	-116.87	100.88	421.15	-206.71
Textiles	14.67	-6.45	-3.56	44.26	-15.42	-12.16	45.39	-21.17	-12.54
Grand Total	23.88	10.91	7.31	33.29	7.46	4.95	40.65	-7.99	3.04
Ex-Financials	26.20	10.60	6.42	30.73	16.27	5.80	47.71	8.18	1.03

Data as on 27th August, 2026 and pertains to 242 companies within the Nifty Small cap 250 universe
Source: Capitaline, HDFC Bank Research

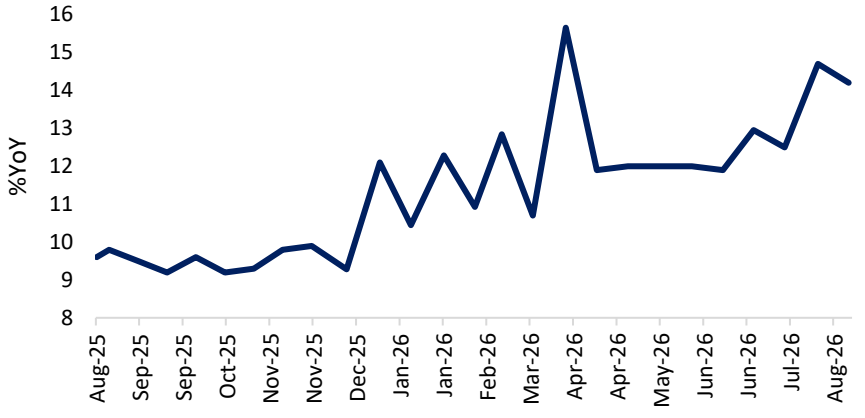
- India's Q1 FY27 corporate earnings showed strong top-line revenue growth across sectors like Auto, BFSI, IT, and Metals, though profitability faced pressure from higher costs and drags in energy-intensive pockets like Oil Marketing Companies, Aviation and Cement.

Note: Past performance of the funds/index/commodities cannot be taken as a indicator for future performance.

India: Valuations remain fair, with macro condition improving… Rising equity issuances emerges as a risk to market liquidity

India Money Supply M3 growth rate

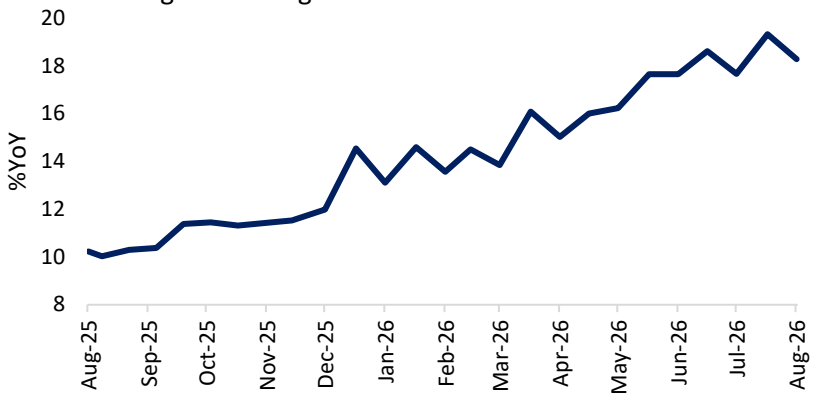
Higher money supply may support existing market valuations



Source: Bloomberg

Bank Credit to Industry growth

Improved substantially over the last one year, suggestive of strong industrial growth



Source: Bloomberg

India VIX

Sentiments improve as fear factor subsides

Source: Bloomberg

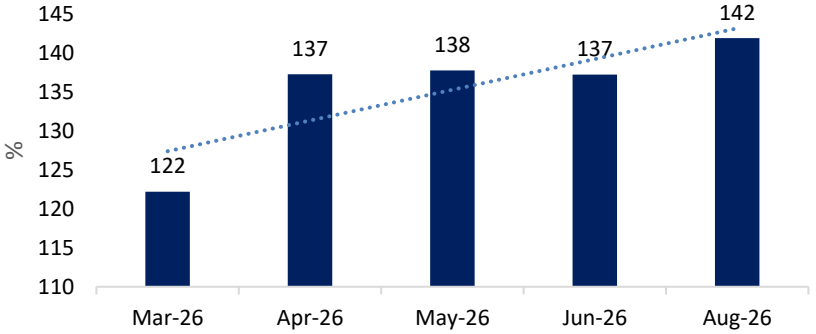
Standalone valuations are reasonable for large caps; adjusted for earnings growth, small caps also look reasonable vs. Midcap valuations

Source: Bloomberg

Index	P/E FY27 (Est.)	P/E FY28 (Est.)	EPS FY27 (Est.)	EPS FY28 (Est.)	PEG FY28 (Est.)
Nifty 50	19.32	17.57	1249	1373	1.762
Nifty Midcap 100	32.03	26.09	1988	2440	1.148
Nifty Smallcap 250	30.83	24.41	648	818	0.928

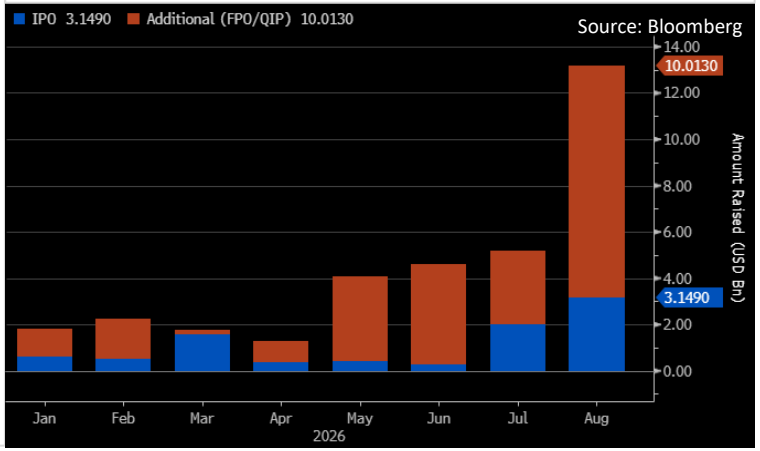
Market Cap to GDP remains elevated

Limited scope for rerating



Source: Bloomberg

Strong equity issuances in August drain market liquidity



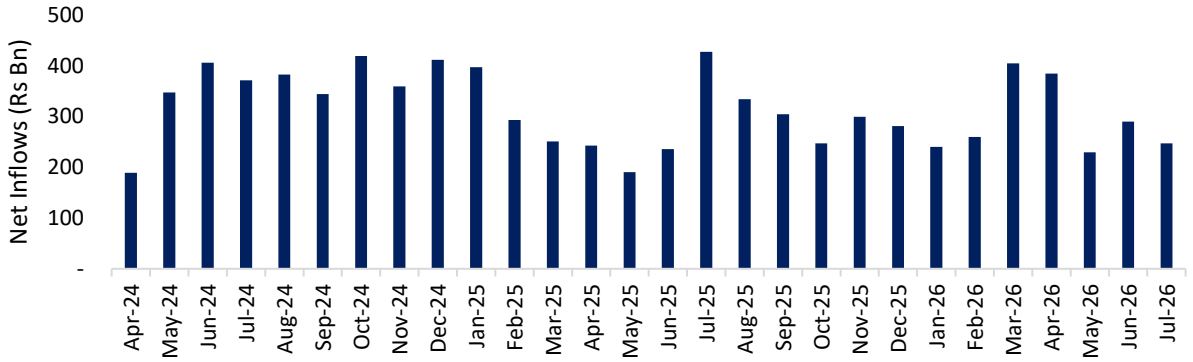
Data as on 28th August 2026

Classification - Restricted

Sustained Retail participation through Mutual Funds continues to support the market

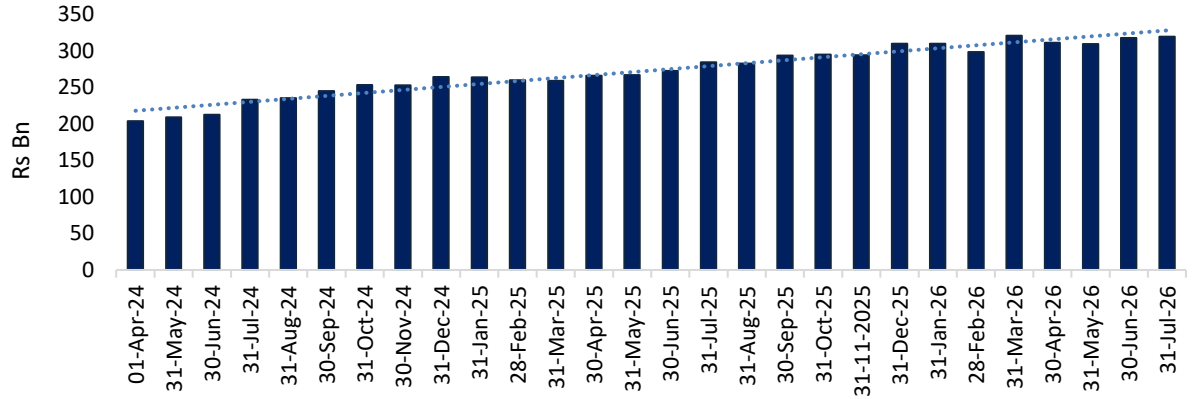
Pure Equity Fund Flows

Strong Mutual Fund inflows continue to support the market performance



Source: AMFI

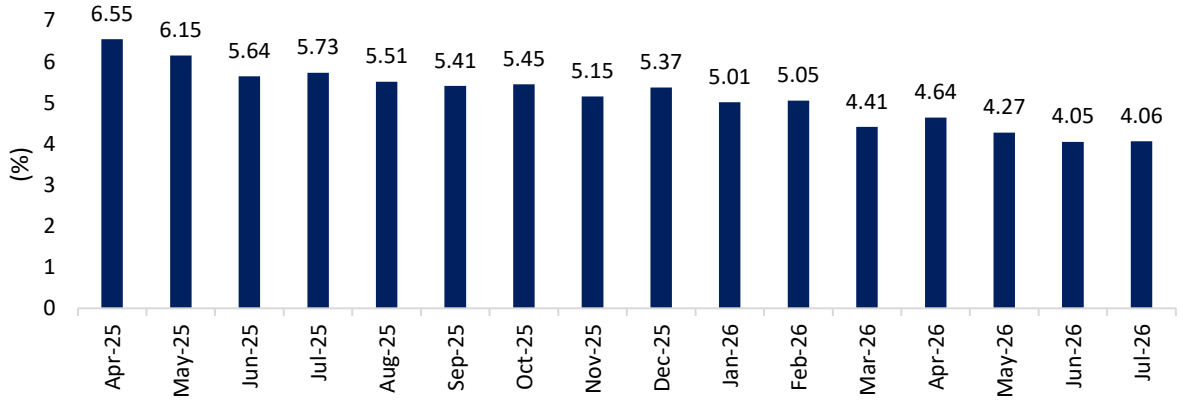
Monthly SIP contribution remains healthy



Source: AMFI

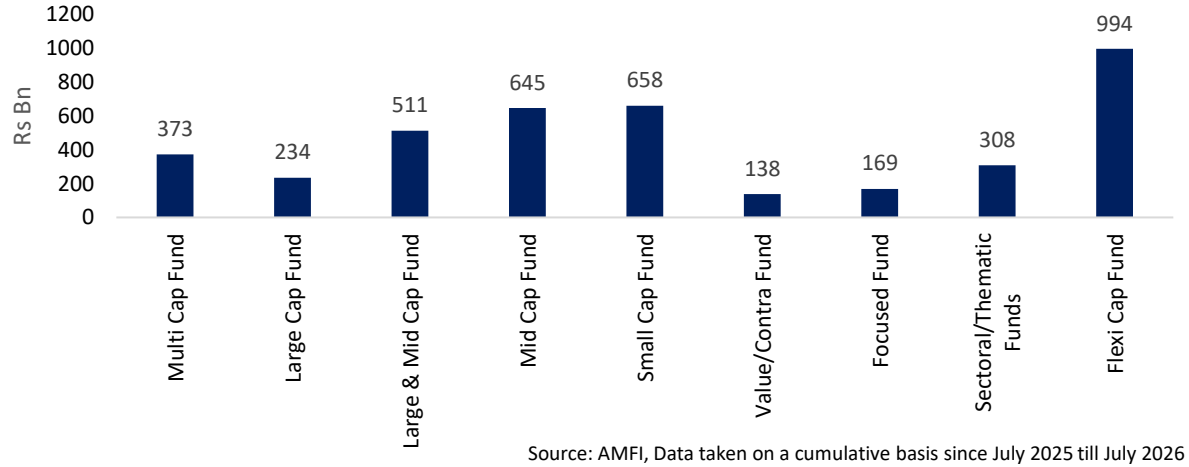
Mutual Funds Aggregate Cash Holdings

Mutual funds' aggregate cash holdings have come down consistently in the last one year



Source: ICRA Analytics

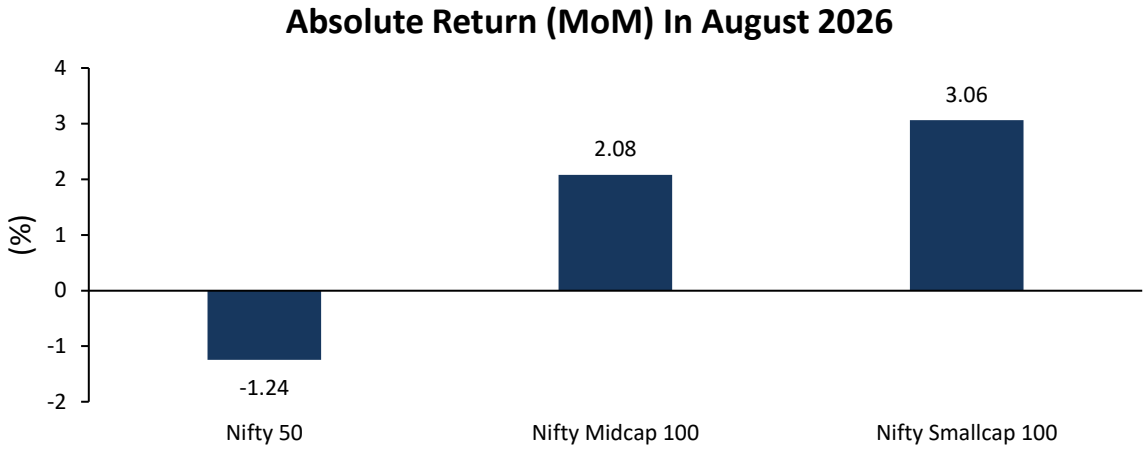
Category-wise Net Flows



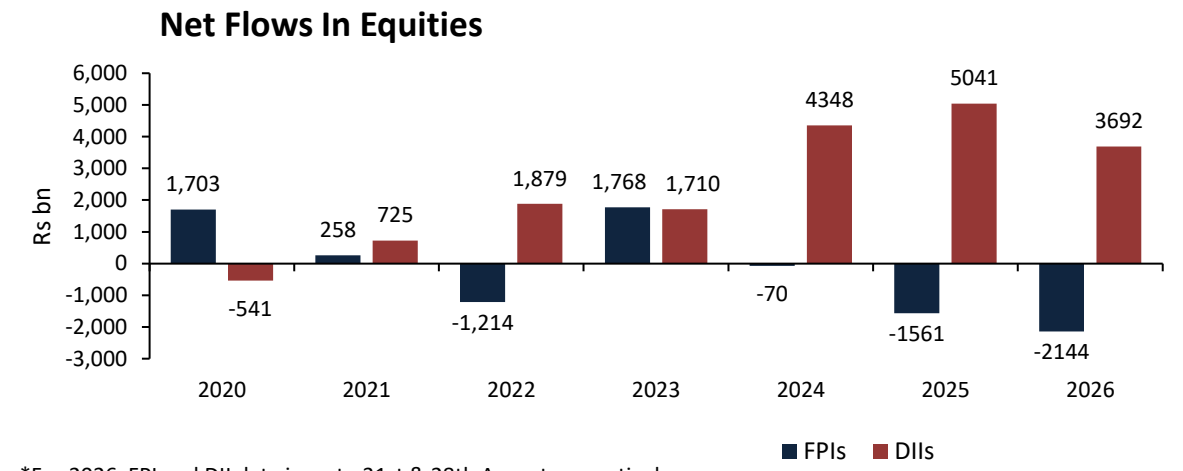
Source: AMFI, Data taken on a cumulative basis since July 2025 till July 2026

Market Roundup – August 2026

- Indian equities ended the month on a mixed note. Large cap-oriented BSE Sensex ended lower by 1.5% (MoM) and Nifty 50 ended lower by 1.2% (MoM). While the BSE Midcap index ended higher by 1.4% (MoM) and BSE Small cap index ended higher by 4.3% (MoM).
- In terms of BSE sectoral indices, the sectors ended on a mixed note. Capital Goods, Metal and Healthcare were the outperformers during the month.
- During the month, FPIs were net buyers in equities to the tune of Rs 337 bn. (Data as on 31st August).
- Domestic equity markets ended the month on a mixed note, supported by decline in crude oil prices and stronger-than-expected earnings for Q1 FY27. Additionally, positive cues from the RBI's policy stance, including its growth and inflation outlook, reinforced confidence in the economy. However, investor sentiment remained cautious amid ongoing geopolitical tensions in West Asia which rekindled concerns over inflation and the interest rate outlook.



Source: Bloomberg



*For 2026, FPI and DII data is up to 31st & 28th August respectively.
**Net Flows In Equities is the sum total of flows in Stock Exchange and Primary market & others

Source: SEBI, CDSL

Classification - Restricted

Key concerns for Indian equities

- Tighter global liquidity conditions
- Inflationary impulses due to high food and oil prices
- Disorderly movement of bond yields in developed markets
- Higher slippage on the Fiscal Side.
- Tariff policy adopted by the Trump Administration with India in its trade deal
- Weak festive season
- Further depreciation in INR despite strong FCNR (B) flows
- Weaker earnings season on back of rising input cost
- Inflation rising above RBI’s target expectations

Classification - Restricted

Annexure…

Sectoral outlook by Fund Managers – Part 1

Sector	Particulars
BFSI	**View –Neutral** • Large cap, private sector banks are being preferred due to attractive ROEs and P/B multiples. 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 NIMs. Also, improved liquidity is likely to support deposit growth. • The credit growth in the system has improved from ~9-10% a year back to ~17-18%, which can act as a multiplier to deposit growth, but with a lag. The current deposit growth continues to lag credit growth. Going ahead, Fund Managers expect the credit growth to settle at ~15-16% CAGR over the next 2 years. • NBFCs and Banks could benefit as FCNR deposits of ~$127 bn could improve system liquidity and help lower cost of funding. • Exchanges are businesses which benefit from higher transaction volumes. Now that the F&O turnover has cooled, some Fund Managers are finding the multiples unattractive. Some Fund Managers are instead incrementally looking at annuity-like businesses such as AMCs and RPAs.
IT	**View – Negative to Neutral** • The growth expectations from Largecap names remain muted but they are emerging as a value play and some Fund Managers are looking to cut underweights while some see the terminal value of these players coming under question, given the topline deflation due to the AI overhang, and demand for higher efficiency-related discounts from clients, which could be detrimental for topline growth. Demand acceleration due to AI implementation may be a key upside risk. • The strategy still remains to buy on dips and no aggressive stance is being seen. Some Fund Managers are preferring Product companies over Services companies.
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. Developments around US tariff policy, especially for generics, remains a key monitorable. However, they find it unlikely that players will shift meaningful capacities into the US under tariff pressures, if at all. • Hospitals: Players are undertaking capex and adding beds which historically has diluted margins but now they are achieving breakeven at ~55-60% utilisation rates, so efficiency gets rewarded. Players that are expanding into new geographies and/or those who are improving their ARPOBs are being preferred. • Diagnostics: The competitive intensity has come off and the industry has consolidated. 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 monitoring the passthrough of elevated Raw Material prices to consumers. This space has been a big beneficiary of GST rationalisation and faces a high base post September 2026 and volume growth numbers could moderate thereafter. Players with strong pipelines of model launches are being preferred. • 2-wheeler: The segment's performance remains strong but rural demand will remain a key monitorable. The EV space seems to be picking up and players are able to generate higher revenues with better tech offerings, aided by model launches. Policy support for electric buses and 2-wheelers could also aid adoption. • Auto Ancillaries: Players who are expanding capabilities, both organically and through strategic acquisitions, are being preferred. Over the last decade, Ancillary players have managed to outgrow OEMs by expanding their product offerings and entering into newer segments like defence, aerospace, etc.

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. Players who are doing JDAs are being preferred. • Government's focus on infrastructure continues to remain robust but finances may be constrained due to higher subsidy burden and fiscal pressure driven by elevated crude prices, could be a dampener. • Some Fund Managers are also looking to play this space through Largecaps and companies with lower Working Capital cycle. Paints could be a counter-cyclical play and volume growth remains a key monitorable. In Cement, the pace of consolidation seems to be cooling at the margin and players are focusing on profitability.
Consumption	**View – Consumer Services – Neutral to Positive, Consumer Durables and FMCG- Neutral to Positive** • Staples: Penetration levels remain high and Fund Managers prefer players in the food & beverage segment as there is scope for premiumisation to play out. However, 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. Weakening INR and hardening Yuan may support Make-in-India initiative and drive volumes for these companies. • 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, but they are facing higher competition from the Quick Commerce space. Bottom-up Value Apparel Retailers, who are expanding to newer geographies are being preferred as in an inflationary environment, smaller players may see their working capital requirements rise and the share might shift from the unorganised space to the organised space. QSR: This space is being looked at as a contra play. 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 as established E-Commerce players are looking to venture into the Quick Commerce segment as the line between the two blurs. Players in niche pockets like Beauty and Social Commerce are also being looked at on a bottom-up basis where growth momentum remains strong. **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. • Prior to the war, the focus was on Energy Transition which is now shifting to Energy Security. Steps are being taken to reduce import dependence. • Power T&D: There are tailwinds from global power shortages and partly, from the AI story. Fund Managers are focusing on order book accretion as an anchor. **Valuations in the Power Capital Goods segment remains single biggest source of risk. Some Fund Managers have trimmed exposure in the recent rally as multiples were pricing high expectations.** • 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 last 6-7 years and is done now. Now, players need to do backward integration. There are policy tailwinds in the form of ISM 2.0 & Mobile Phone Manufacturing scheme.
Metals	**View – Positive** • Metals remain a tactical play. AI-led capex in the US, safeguard duties and China anti-involution to support. In the ferrous space, the EBITDA/tonne in Rupee terms could also improve according to some Fund Managers due to INR depreciating against the USD.

Sectoral Movement

Absolute Monthly Return By Sector (%)

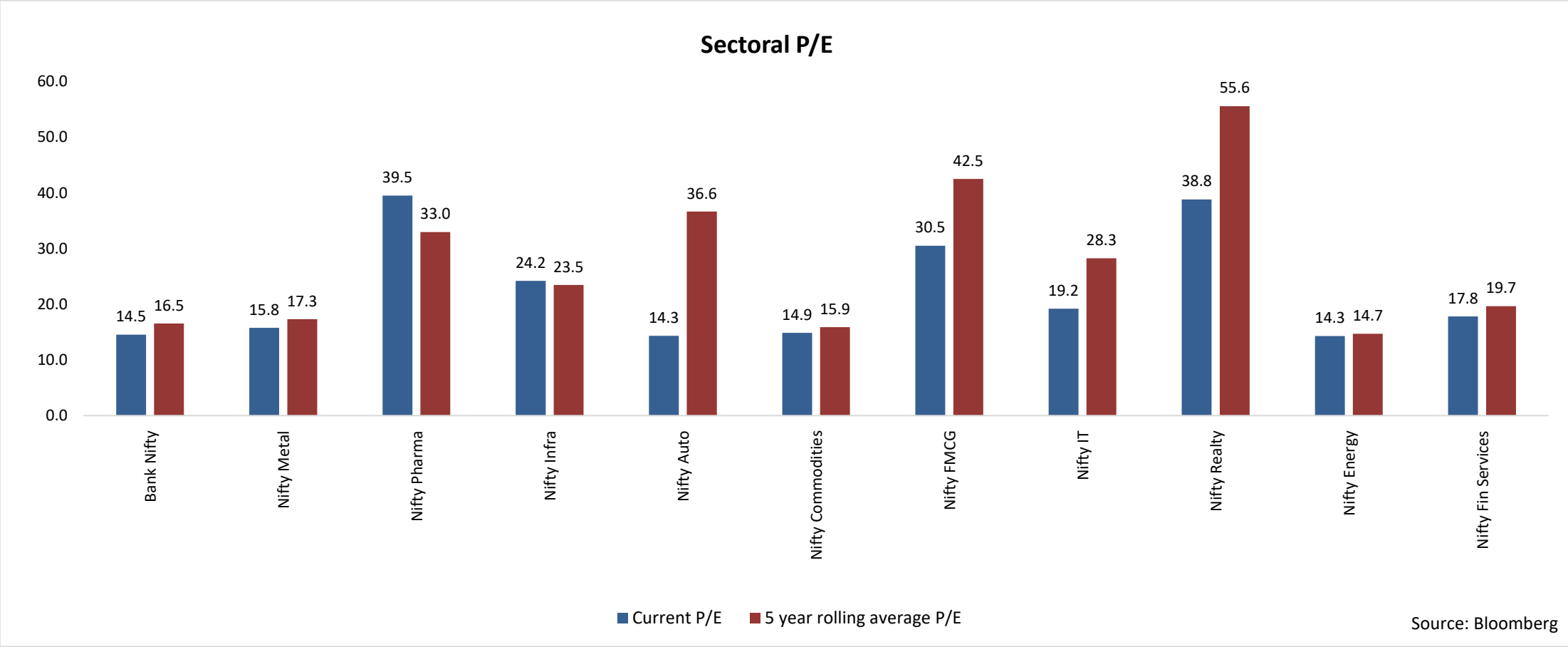
Index	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26
BSE 500	**-1.93**	**1.21**	**4.20**	**0.86**	**-0.25**	**-3.36**	**0.38**	**-11.40**	**10.36**	**-0.28**	**1.53**	**2.02**	**-0.19**
Auto	5.78	5.89	1.04	3.14	1.31	-5.20	4.95	-15.46	8.66	1.42	1.04	7.98	0.79
Bankex	-3.34	2.48	5.56	3.10	-0.28	0.46	1.60	-16.96	9.06	-0.93	6.38	-0.15	0.41
Basic Material	-2.36	2.45	2.63	-3.41	4.06	1.38	1.08	-10.59	14.37	2.79	-3.43	2.26	0.50
Capital Goods	-4.13	4.39	3.10	-1.70	-3.03	-0.66	5.68	-8.82	20.18	4.67	0.74	-5.41	2.91
Consumer Discretionary	2.52	0.96	1.91	-0.18	-1.42	-6.86	2.34	-12.98	12.03	0.27	3.92	6.07	1.46
Consumer Durables	1.96	-4.85	4.97	2.16	-3.01	-7.79	6.98	-11.11	12.32	-2.39	3.37	9.25	-0.64
Energy	-3.87	4.22	5.82	-0.42	1.75	-2.54	2.99	-9.61	8.28	-4.34	-2.07	0.99	-1.94
FMCG	0.21	-2.44	2.75	-1.22	-0.31	-7.90	0.01	-10.49	12.62	-3.31	-0.43	0.72	-4.14
Finance	-3.82	2.34	4.78	2.30	-0.64	-1.79	0.88	-15.60	9.47	-1.35	5.63	0.23	0.12
Healthcare	-3.86	-1.25	3.38	0.80	-2.41	-5.60	6.22	-4.87	6.79	4.91	5.34	3.03	1.51
IT	-1.07	-3.64	5.51	3.69	1.18	-0.33	-18.74	-6.15	1.72	-0.85	-8.69	14.71	0.73
Infra	-4.75	4.44	3.21	-2.78	-1.27	-2.10	4.46	-9.73	15.61	-1.87	-0.12	-3.26	-4.64
Metal	-1.61	9.43	5.64	-2.89	7.91	5.52	4.07	-8.93	14.61	3.72	-8.15	1.83	2.43
Oil & Gas	-4.69	5.36	6.43	-1.51	1.78	-2.07	5.27	-13.64	8.31	-3.40	-2.66	1.75	-2.09
Power	-4.56	5.04	3.14	-4.51	-1.66	-1.70	8.99	-4.23	22.25	2.78	-3.44	-5.26	-3.32
Realty	-4.48	-0.36	9.20	-4.69	-2.96	-10.34	-0.58	-16.83	21.43	-0.20	5.86	8.65	-0.08
Telecom	-4.48	0.48	7.22	2.40	1.87	-4.73	0.02	-9.04	13.63	15.80	2.23	-1.88	2.98
Utilities	-4.47	5.11	3.18	-5.57	-0.96	-2.42	7.41	-3.40	19.98	-0.92	-4.13	-2.25	-7.13

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



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 Expected EPS	Current 1-year fwd P/E	5 year avg 1-year fwd P/E	Current year Expected Book Value	Exp P/B	TTM ROE
USA	S&P 500	359.27	21.39	21.57	1484.60	5.2	21.60
USA	Nasdaq	911.73	28.92	31.62	3859.36	6.8	19.29
Europe	Stoxx 600	41.29	15.77	14.39	279.28	2.3	13.45
UK	FTSE 100	810.38	13.36	12.06	4748.89	2.3	14.23
Germany	DAX	1539.91	17.05	13.92	13149.70	2.0	11.31
France	CAC	553.84	15.05	14.07	4277.23	1.9	10.08
Japan	NIKKEI 225	3089.81	21.51	20.68	23285.62	2.9	12.80
Australia	ASX 200	480.45	18.87	17.16	4002.35	2.3	11.39
Singapore	STI Index	333.02	17.19	12.79	3105.40	1.8	10.15
Hongkong	Hengseng	2206.01	11.48	10.59	20370.11	1.2	10.51
India	Nifty 50	1248.56	19.32	21.58	8683.83	2.8	15.49
China	Shanghai Composite	281.53	14.17	12.66	2856.97	1.4	8.75
Brazil	BOVESPA	20577.04	8.62	8.14	130428.05	1.4	14.09
Korea	Kospi	1028.58	6.64	11.53	4080.53	1.7	15.00
Mexico	IPC	5005.72	13.07	13.02	29366.63	2.2	15.51
Philippines	PCOMP	636.97	9.54	12.95	5156.25	1.2	11.59
Turkey	XU100	5470.05	2.62	4.90	79266.31	0.2	9.54
Thailand	SET	111.39	14.34	15.43	1026.43	1.6	9.21
Vietnam	VN30	175.97	11.27	10.87	1022.02	1.9	18.24
Indonesia	JCI	596.64	11.00	14.67	4387.58	1.5	12.41

Data as on 28th August, 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	7.54%	31.01%	6.99%	7.88%	5.45%	6.81%	3.87%	6.41%	0.15%	10.49%	0.10%	7.29%	3.75%	0.26%	2.03%
360 ONE MF	4.43%	34.83%	11.78%	4.66%	4.61%	11.86%	0.32%	3.06%	0.00%	3.65%	0.00%	7.05%	9.47%	0.00%	1.83%
Abakkus MF	6.85%	27.02%	13.80%	6.96%	2.19%	8.51%	3.72%	3.44%	0.32%	5.51%	0.28%	9.08%	1.97%	0.55%	1.67%
Aditya Birla SL MF	9.10%	28.87%	6.56%	7.29%	5.91%	9.37%	2.96%	8.05%	0.01%	6.80%	0.08%	7.43%	2.35%	0.47%	1.91%
Axis MF	10.51%	26.22%	10.43%	7.18%	3.54%	10.29%	3.08%	3.75%	0.01%	2.95%	0.43%	10.82%	2.81%	0.73%	1.87%
Bajaj Finserv MF	11.80%	23.44%	9.95%	6.15%	3.99%	11.95%	3.63%	1.67%	0.62%	4.27%	0.14%	12.92%	1.28%	4.12%	0.46%
Bandhan MF	3.80%	30.90%	5.92%	6.10%	5.42%	8.44%	5.41%	5.60%	0.34%	6.18%	0.70%	8.38%	2.59%	1.09%	2.76%
Bank of India MF	7.44%	21.20%	13.85%	6.17%	5.62%	9.61%	2.12%	1.61%	0.49%	5.79%	0.00%	9.91%	3.48%	1.64%	2.27%
Baroda BNP Paribas MF	9.20%	25.20%	10.33%	7.53%	4.97%	7.31%	2.66%	5.96%	0.00%	8.77%	0.31%	10.71%	2.39%	0.00%	1.42%
Canara Robeco MF	7.66%	29.34%	7.91%	5.02%	5.11%	14.87%	3.47%	5.29%	0.07%	4.20%	0.26%	7.99%	3.15%	0.25%	2.20%
Capitalmind MF	3.36%	21.85%	18.25%	9.60%	8.96%	6.36%	2.70%	2.93%	0.00%	0.00%	0.00%	24.71%	0.00%	0.00%	0.00%
DSP MF	9.63%	29.42%	7.91%	7.47%	2.88%	6.67%	3.24%	4.46%	0.00%	6.95%	0.44%	10.34%	3.15%	0.69%	0.72%
Edelweiss MF	9.91%	27.66%	11.11%	7.68%	4.42%	8.77%	4.36%	5.68%	0.00%	3.96%	0.04%	9.80%	2.18%	0.81%	0.97%
Franklin Templeton MF	5.92%	26.20%	12.46%	5.43%	2.85%	10.70%	3.87%	6.51%	0.02%	7.24%	0.20%	7.32%	3.16%	0.45%	2.67%
Groww MF	13.02%	34.33%	13.54%	6.07%	0.87%	2.61%	2.40%	3.99%	0.14%	0.61%	0.00%	7.05%	1.90%	0.00%	0.70%
HDFC MF	10.79%	29.23%	6.63%	4.72%	3.71%	8.06%	2.61%	5.26%	0.22%	4.48%	0.06%	11.97%	2.74%	0.53%	3.86%
Helios MF	5.58%	31.70%	10.98%	3.12%	2.45%	13.70%	5.32%	0.45%	0.89%	5.17%	0.00%	7.06%	1.88%	3.31%	7.09%
HSBC MF	6.11%	29.16%	17.90%	4.83%	5.11%	8.86%	4.56%	2.95%	0.00%	4.24%	0.08%	8.16%	1.34%	2.70%	1.75%
ICICI Pru MF	10.42%	27.55%	7.20%	8.54%	4.40%	7.03%	4.12%	5.98%	0.10%	7.64%	0.04%	6.65%	2.83%	0.43%	2.45%
Invesco MF	5.85%	27.10%	10.87%	4.00%	0.92%	13.93%	7.52%	4.55%	0.00%	1.58%	0.00%	14.06%	1.22%	0.00%	5.58%
ITI MF	8.28%	26.78%	14.67%	8.07%	3.69%	7.80%	3.27%	3.02%	0.00%	3.70%	0.90%	12.60%	1.70%	1.31%	2.04%
JM Financial MF	11.57%	29.09%	11.96%	5.42%	4.28%	8.09%	2.96%	6.07%	0.09%	3.16%	0.03%	7.65%	2.35%	2.14%	3.55%
Kotak Mahindra MF	8.28%	27.49%	9.03%	10.36%	2.96%	10.06%	4.02%	5.18%	0.38%	4.95%	0.09%	10.63%	3.38%	0.22%	1.37%
LIC MF	11.66%	23.20%	16.71%	6.34%	4.75%	8.26%	3.90%	3.57%	0.28%	1.63%	0.14%	8.59%	2.94%	0.32%	3.91%
Mahindra Manulife MF	8.06%	24.85%	11.44%	9.15%	3.68%	6.18%	2.92%	5.23%	0.29%	6.33%	0.00%	11.33%	2.35%	1.55%	1.65%
Mirae Asset MF	8.57%	31.67%	3.88%	7.53%	2.89%	10.05%	3.42%	4.71%	0.00%	6.88%	0.22%	10.71%	4.05%	0.17%	3.39%
Motilal Oswal MF	6.90%	28.37%	19.70%	3.32%	0.69%	16.76%	1.77%	6.74%	0.00%	0.61%	0.52%	5.47%	3.45%	0.28%	2.32%
Navi MF	9.81%	33.90%	13.15%	3.23%	3.81%	4.81%	3.97%	5.72%	0.00%	2.50%	0.00%	8.20%	1.82%	0.47%	2.94%
Nippon India MF	7.04%	27.16%	11.32%	4.07%	6.03%	14.11%	2.34%	4.67%	0.31%	6.49%	0.43%	10.84%	0.88%	0.75%	1.75%
NJ MF	13.25%	17.06%	2.04%	3.54%	17.03%	5.36%	0.00%	7.04%	0.00%	3.44%	0.00%	26.02%	0.00%	2.82%	1.48%
Old Bridge MF	14.80%	15.37%	2.41%	11.32%	6.27%	5.02%	4.83%	0.00%	0.00%	0.18%	0.67%	12.90%	5.43%	0.12%	12.48%
PGIM India MF	9.20%	25.72%	9.68%	8.14%	3.98%	11.07%	3.02%	5.73%	0.00%	3.64%	0.00%	11.74%	2.92%	0.25%	2.44%
PPFAS MF	6.69%	26.33%	0.04%	0.04%	7.27%	2.35%	0.02%	14.45%	0.00%	12.44%	0.04%	4.28%	3.08%	0.00%	4.64%
Quant MF	5.01%	16.72%	6.56%	9.28%	2.07%	3.70%	5.37%	7.17%	1.03%	13.55%	3.25%	11.06%	7.46%	2.08%	1.32%
Quantum MF	11.93%	33.92%	2.02%	3.48%	1.31%	6.10%	2.28%	13.24%	0.47%	3.55%	0.92%	5.86%	2.50%	0.00%	4.80%
Samco MF	8.33%	19.65%	29.03%	10.92%	4.10%	1.96%	0.88%	0.57%	0.05%	6.12%	0.04%	10.76%	4.73%	0.86%	1.08%
SBI MF	8.10%	26.95%	6.47%	8.86%	4.24%	8.60%	3.16%	4.55%	0.04%	9.43%	0.97%	8.24%	2.29%	1.27%	2.53%
Shriram MF	8.54%	33.52%	3.17%	2.05%	2.68%	8.77%	1.91%	8.80%	0.32%	8.91%	0.00%	11.17%	3.66%	0.00%	5.07%
Sundaram MF	7.29%	29.17%	10.96%	4.91%	3.79%	11.77%	3.48%	7.18%	0.21%	4.45%	0.13%	6.56%	3.07%	0.17%	3.69%
Tata MF	5.79%	23.09%	8.01%	8.70%	4.93%	8.07%	3.26%	11.41%	0.18%	6.91%	1.05%	7.08%	3.51%	0.57%	3.12%
Taurus MF	7.85%	14.51%	11.12%	6.46%	7.05%	9.03%	2.21%	13.64%	0.00%	11.46%	0.00%	11.42%	2.15%	1.23%	0.47%
The Wealth Company MF	11.75%	21.08%	12.33%	9.43%	3.06%	9.91%	1.28%	11.81%	0.40%	2.28%	0.37%	9.75%	1.63%	0.63%	1.94%
Trust MF	10.57%	24.08%	13.88%	4.40%	3.59%	14.06%	1.87%	3.30%	0.00%	1.61%	0.60%	10.62%	0.73%	0.74%	3.87%
Unifi MF	6.87%	33.37%	6.19%	3.98%	2.16%	0.70%	2.95%	4.00%	0.00%	6.52%	1.03%	14.26%	4.44%	2.09%	6.06%
Union MF	10.57%	26.52%	13.61%	6.76%	3.80%	8.28%	3.83%	5.03%	0.20%	2.97%	0.00%	11.29%	1.77%	0.95%	2.66%
UTI MF	10.35%	25.46%	6.63%	4.96%	3.17%	14.04%	3.06%	7.88%	0.28%	4.82%	0.47%	10.17%	3.28%	0.21%	1.97%
WhiteOak Capital MF	5.65%	29.91%	7.61%	5.49%	4.91%	9.66%	2.02%	6.46%	0.07%	3.63%	1.43%	13.21%	4.19%	0.33%	1.47%

Data as on 31st July, 2026

Source : ICRA Analytics Limited

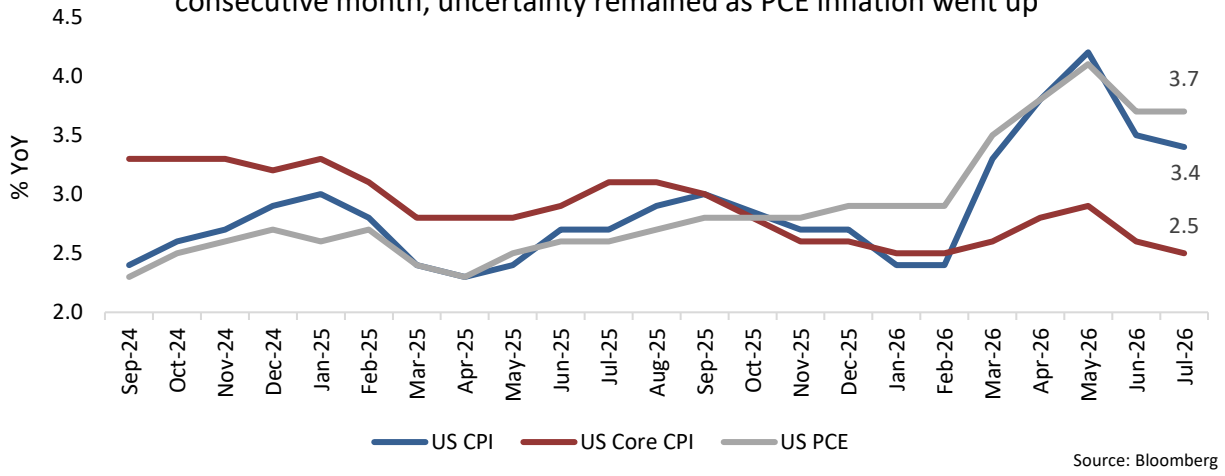
Fixed Income Market

Fixed Income Outlook and Strategy – September 2026

- Higher than anticipated FCNR(B) flows and RBI's likely interventions kept the Rupee in a range. Going forward, the record forex reserves and ample system liquidity has equipped the RBI well to keep currency supported.
- Inflation saw a marginal uptick, staying above 4% YoY for the 2nd consecutive month. Going forward, the effect of El Niño is expected to last through CY26. Also, as the Indian Ocean Dipole has turned neutral, their overall effect on rainfall in the month of September will remain a key monitorable and may have an effect on food inflation.
- The external sector remained strained due to high crude oil prices, driven by the collapse of the ceasefire in the US–Iran conflict. Looking ahead, the ongoing geopolitical tensions may continue to exert significant influence on crude prices and, in turn, on the external sector.
- The RBI upwardly revised the growth estimates and downwardly revised the inflation estimates for FY27 in their latest policy meeting. Going forward, the higher-than-expected GDP print despite geopolitical disruptions has provided space to the RBI to look at policy rate tightening if required.
- Commodity prices moved up in the month of August. Looking ahead, the prices trajectory will continue to depend on geopolitical developments which are contributing to heightened volatility.
- In the US, higher than expected PCE inflation and the Fed chair's hawkish commentary led to a further selloff in US Treasuries. Market participants now ascribe higher probability of a rate hike in the upcoming policy meeting. However, the higher and leveraged exposure of hedge funds in US Treasury holdings may turn out to be crucial factor.
- Higher energy prices have once again pushed up inflation in Europe, reflecting the region's reliance on imported fuel. Consequently, market participants see higher probability of an imminent rate hike by ECB.
- Concerns around inflation, fiscal position and geopolitical risks have led to a selloff in global bonds. The same may continue to direct global central banks' outlook and policy decisions.
- Indian G-sec yields remained under pressure during the month due to the announcement of early closure of the incentivised FCNR(B) window, the RBI governor's hawkish tone, and the selloff in Government securities across the globe. Going forward, the yield curve is expected to move with flattening bias as rate hike probabilities loom.
- Influx of system liquidity on the back of robust FCNR(B) flows meant fewer issuances by banks via the CD route which weighed down on the shorter end of the corporate bond yield curve, whereas persistent supply kept SDL yields elevated.
- 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.
- As yields in the less than 1-year segment remain high for corporates, 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.

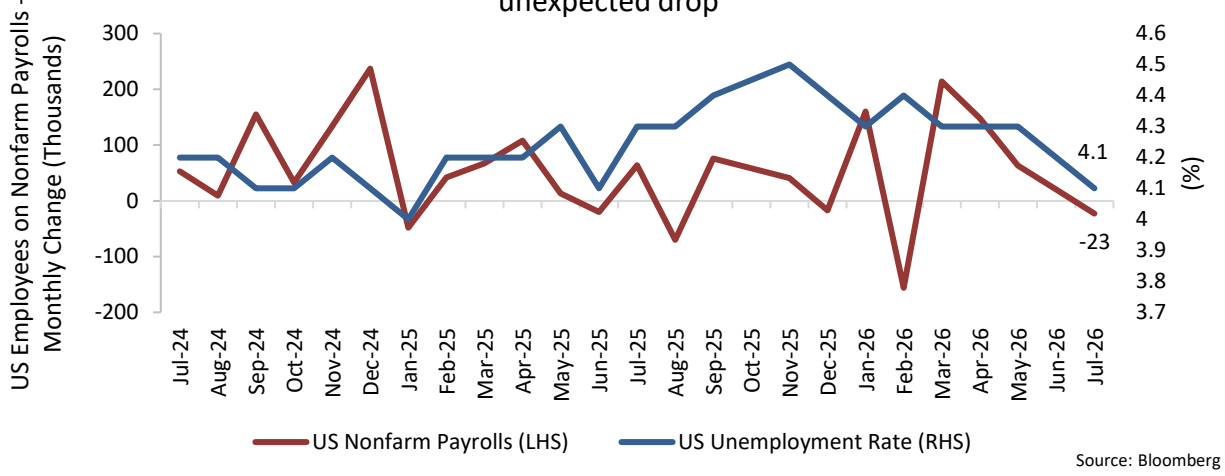
US: Amidst fiscal concerns due to surging debt, rising Personal Consumption Expenditure (PCE) inflation and Fed chair Warsh's hawkish stance is leading to the market factoring in a higher probability of rate hikes, keeping yields elevated

Though easing oil prices slowed headline and core inflation for the second consecutive month, uncertainty remained as PCE inflation went up



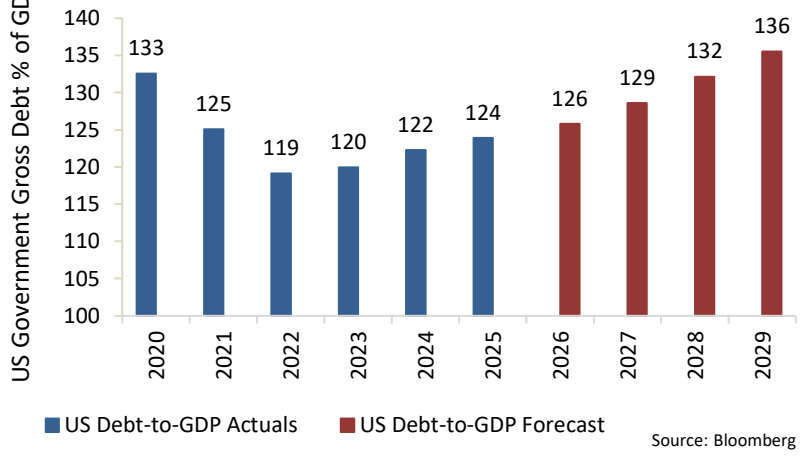
Source: Bloomberg

While unemployment rate remained low, non-farm payrolls saw an unexpected drop



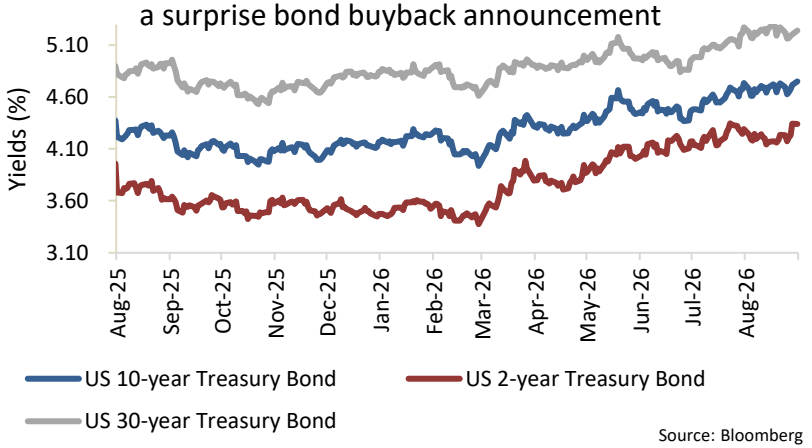
Source: Bloomberg

Worries about fiscal risks grew as national debt crossed the USD 40 trillion mark…



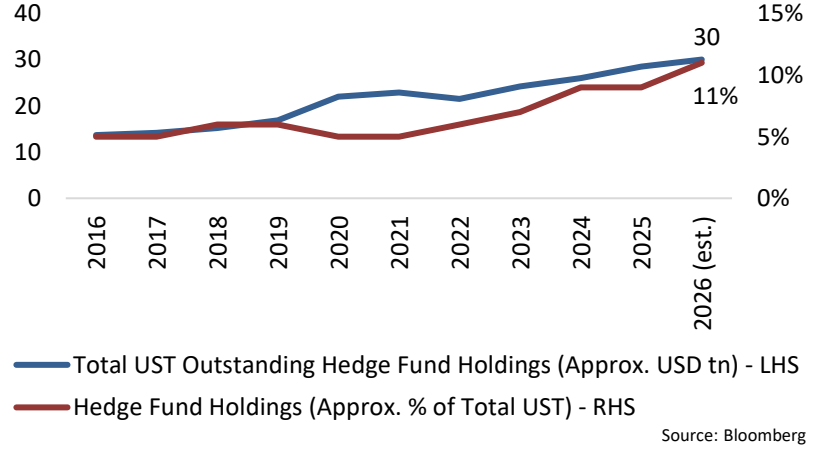
Source: Bloomberg

… which also lay bare the vulnerabilities of bond yield curve, despite a sharp fall mid month due to a surprise bond buyback announcement



Source: Bloomberg

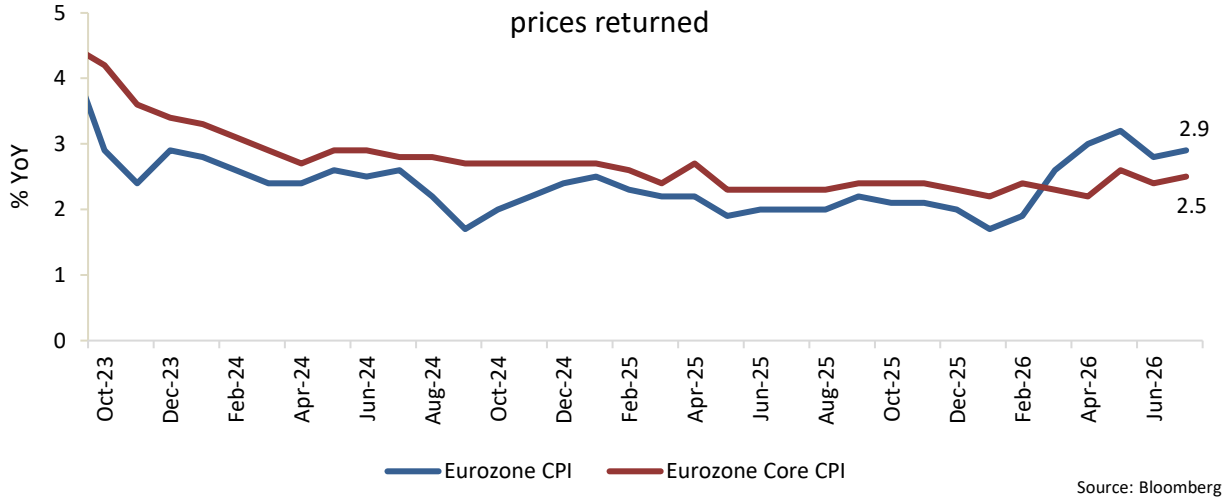
However, growing leveraged position holdings of Hedge funds in US Treasuries remains a worry



Source: Bloomberg

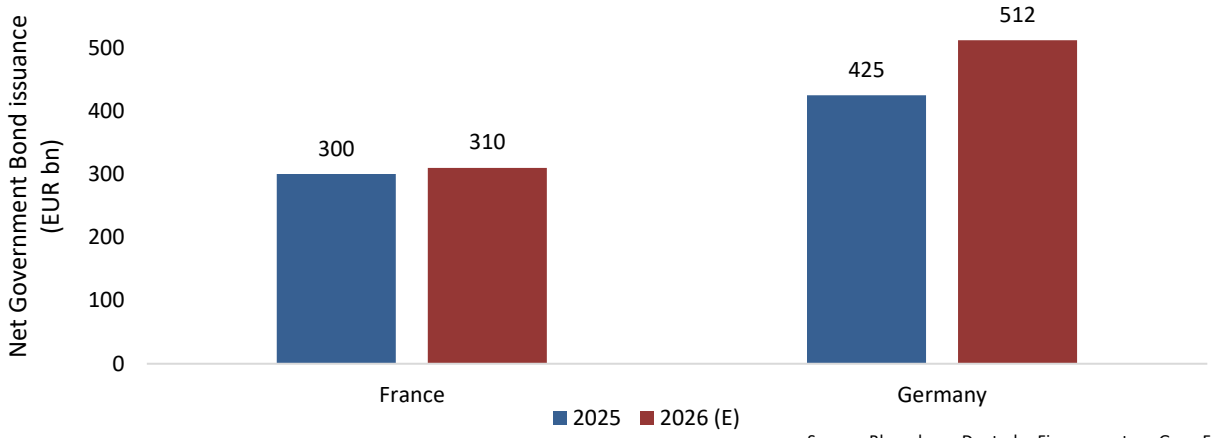
EU: Elevated energy prices on the back of geopolitical tensions and a record debt issuance to fund infrastructure and defense is putting pressure on yields

Inflation accelerated during the month of July as pressure from energy prices returned



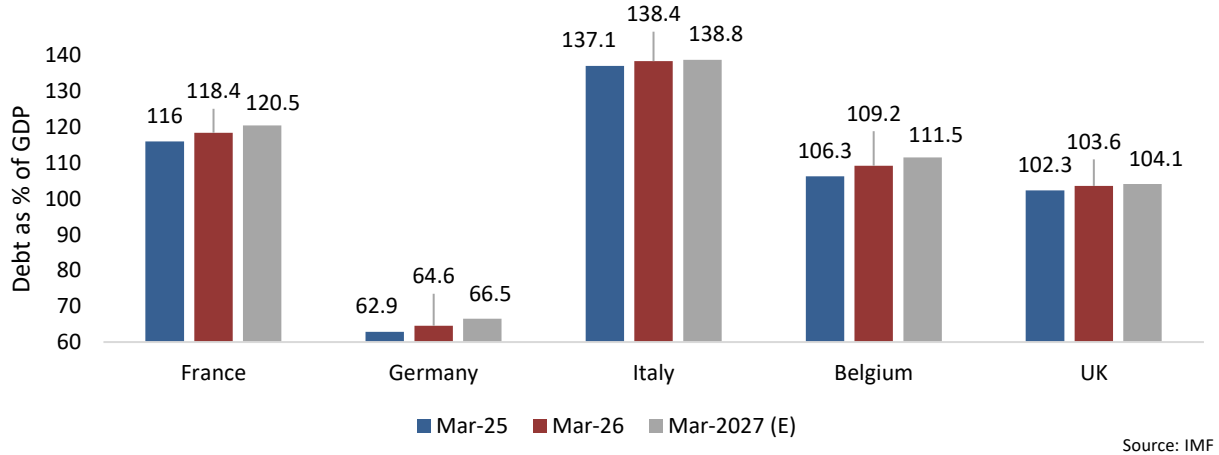
Source: Bloomberg

To fund infrastructure and defence expenditure, European countries continued with high supply of government bonds...



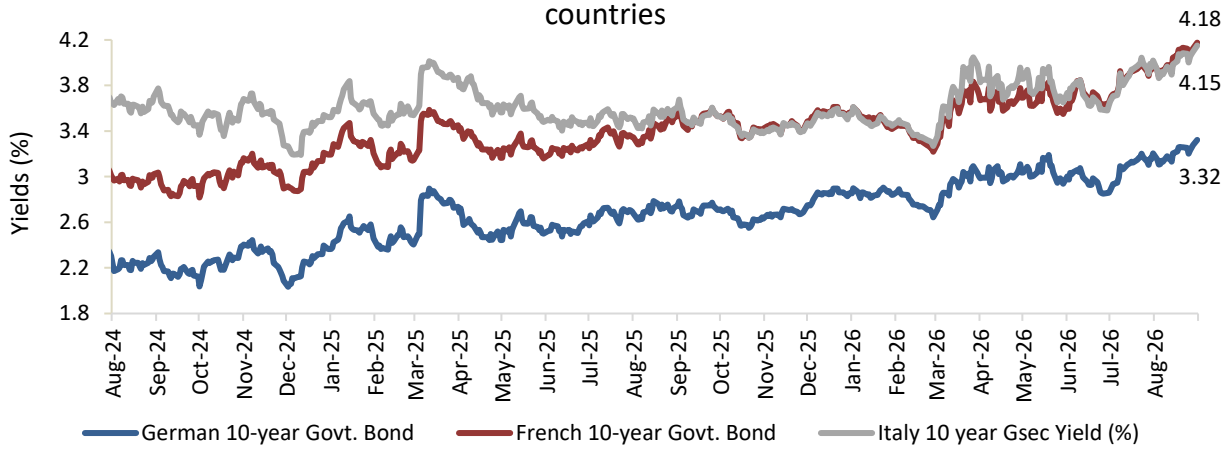
Source: Bloomberg, Deutsche Finanzagentur , Gouv Fr

… pushing the Debt-to-GDP ratio higher…



Source: IMF

… and putting pressure on bond yields of erstwhile economically strong countries

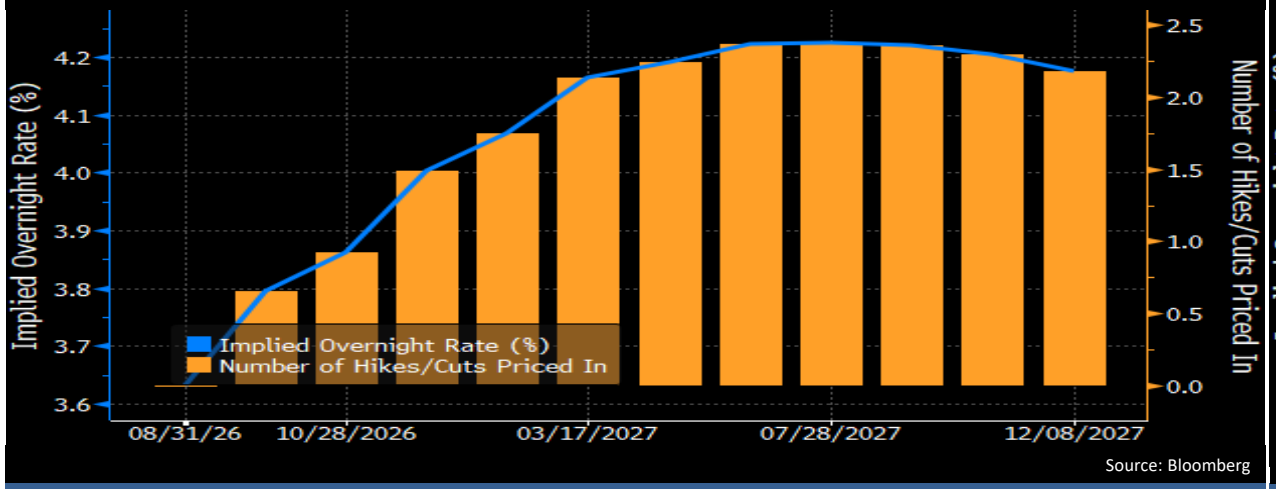


Source: Bloomberg

Classification - Restricted

Fed turns more hawkish and ECB is moving towards further tightening

Commentary by Fed Chairman Kevin Warsh during the Jackson Hole symposium highlighted a predominant focus on price stability



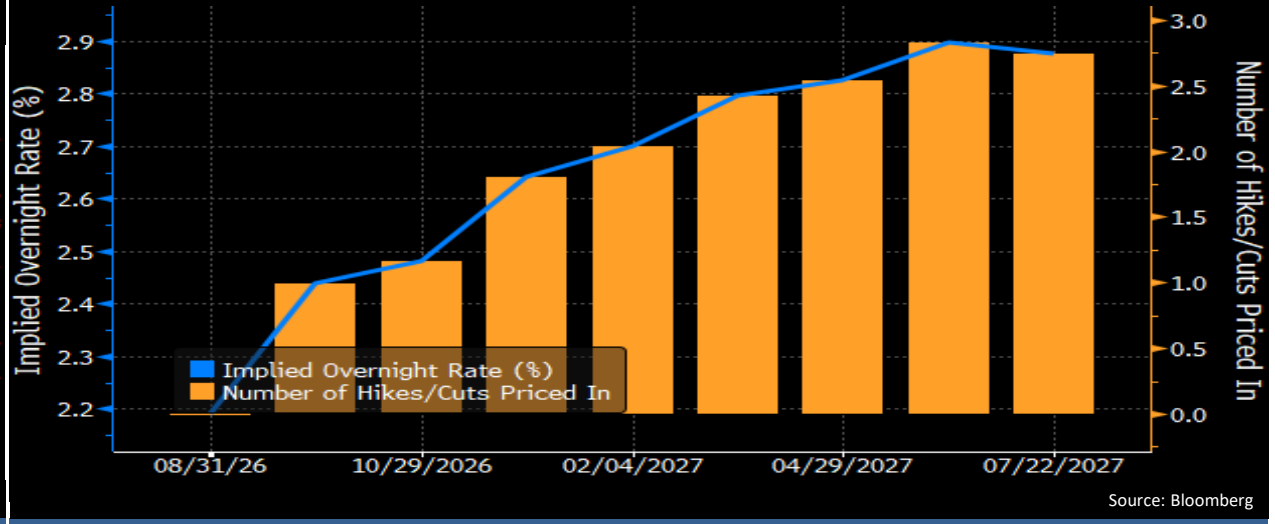
Source: Bloomberg

"… But on the price-stability side of our mandate, the numbers are more concerning. The Fed's preferred measure of inflation, the 12-month change in the PCE price index, stands at 3.7 percent, while the six-month change is 4.1 percent. The comparable measures from the consumer price index (CPI) are also elevated, as are the core measures of both PCE and CPI inflation. None of these measures are perfect, but they all tell a similar story: Inflation is running above our 2 percent target. So the Fed's predominant focus right now should be on prices.

There is one signal nobody can miss: The responsibility for 65 months of sustained, elevated inflation sits squarely with the central bank. And that is where it belongs."

- **Kevin Warsh at Post FOMC Press conference**
July 29, 2026

Market participants see higher possibilities of a rate hike in the upcoming policy



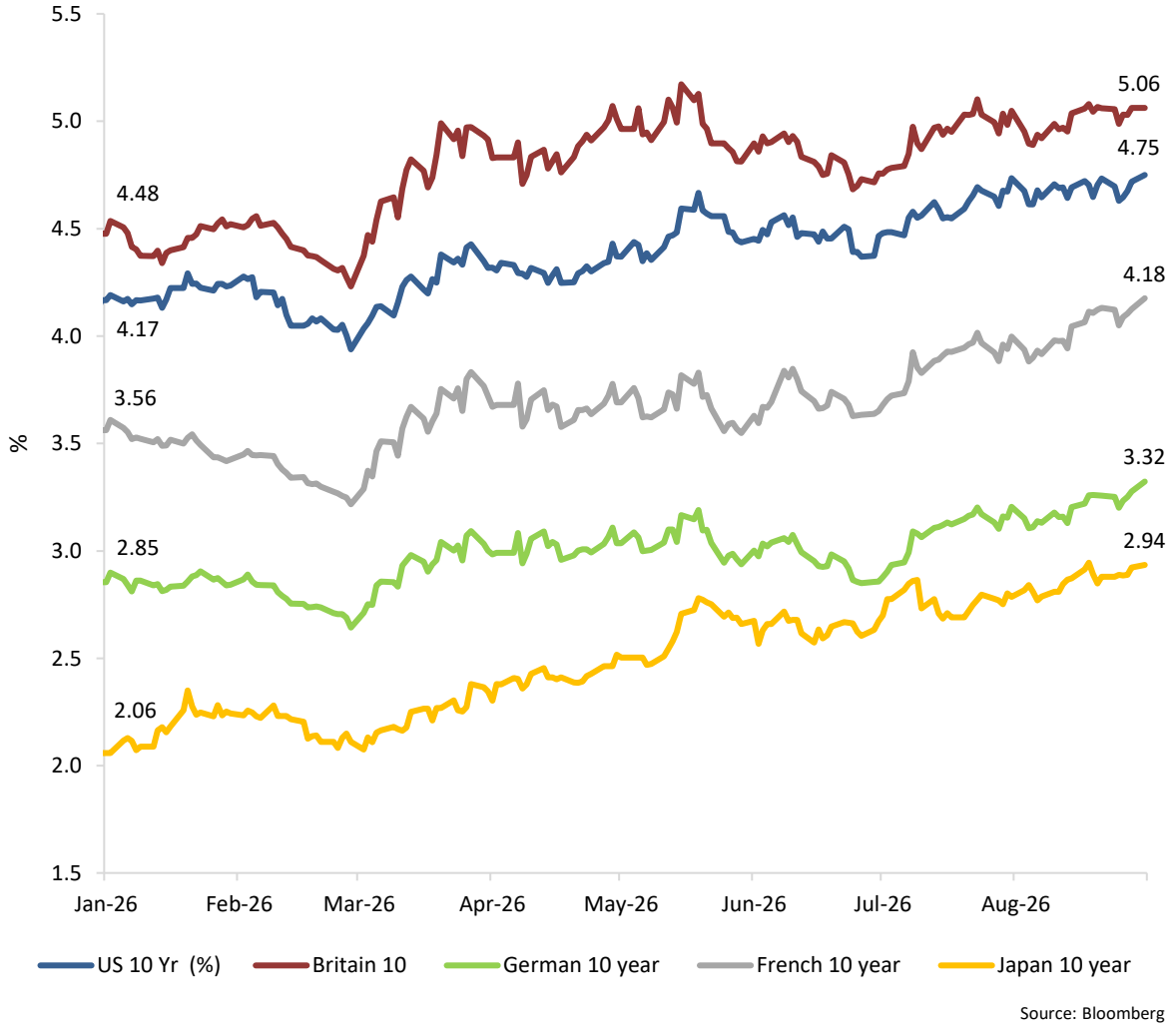
Source: Bloomberg

"…Markets continued to expect further policy tightening, with a hike in September 2026 almost fully priced in and an additional hike fully priced in by February 2027. The OIS forward curve remained above median expectations reported in the Survey of Monetary Analysts, with participants continuing to foresee only one further rate hike in 2026. However, the survey only partly reflected the recent re-escalation of the conflict..."
"...On the one hand, it was important not to suggest that the pause in rate hikes at the current meeting meant that the end of the tightening cycle had been reached. While decisions remained data-dependent, another rate hike would likely be necessary unless the inflation outlook improved significantly. On the other hand, communication should stress that the Governing Council was not pre-committed to a hike in September, to allow for the possibility that the medium-term inflation outlook might improve…"

- Excerpts from **Account of the monetary policy meeting** of the Governing Council of the **European Central Bank, 22-23 July 2026**

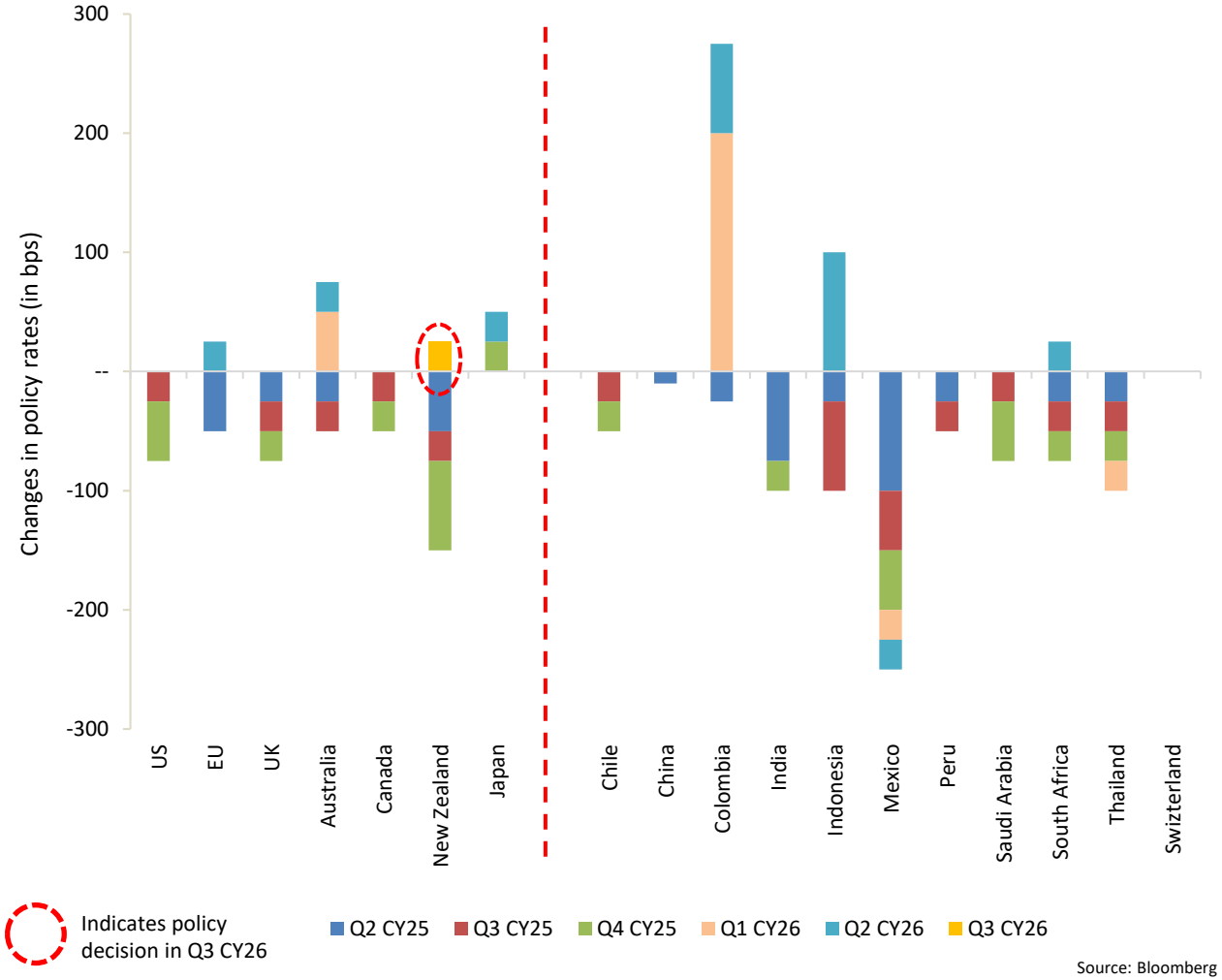
Concerns around elevated inflation on the back of volatile energy prices, high fiscal deficit and serviceability of debt led to further global bond selloffs, pushing the yields higher across major economies and driving policy narratives

Global bond yields moved up in CY26



Source: Bloomberg

RBI's latest minutes of the meeting struck an unexpected hawkish tone

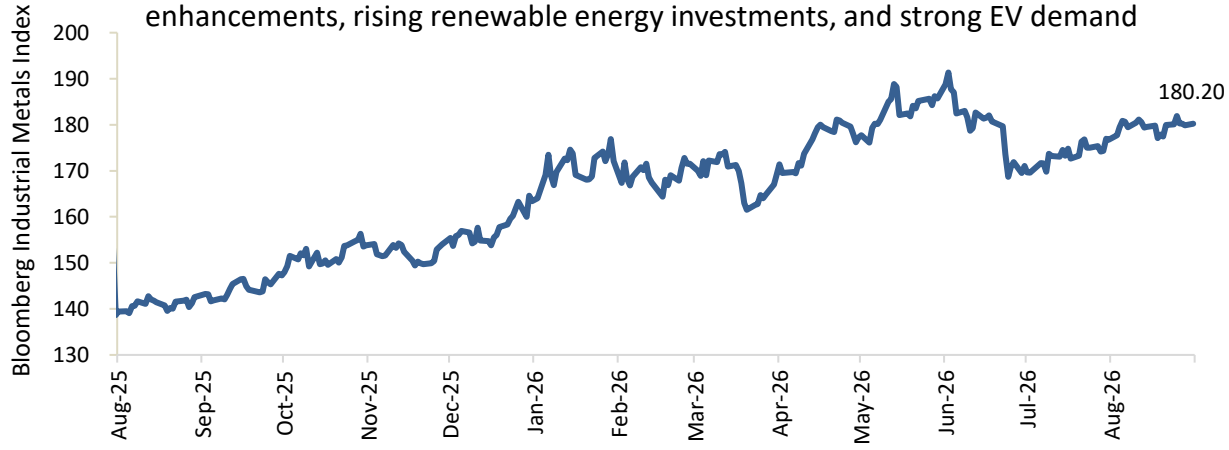


Source: Bloomberg

Classification - Restricted

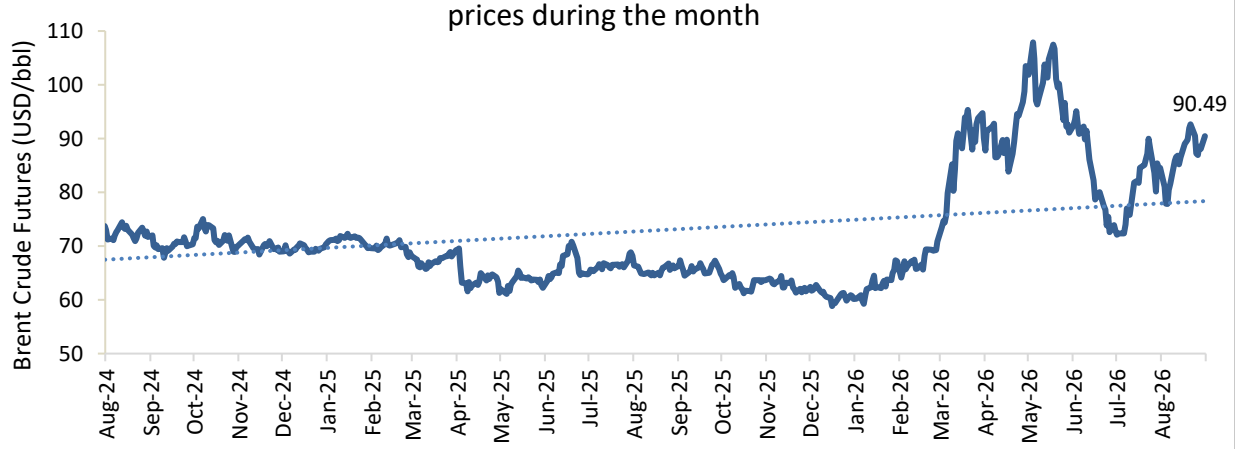
Global Commodities: Saw a rebound in prices amidst persistent geopolitical friction and a tighter supply scenario

Metal index continued its upward momentum, supported by ongoing grid enhancements, rising renewable energy investments, and strong EV demand



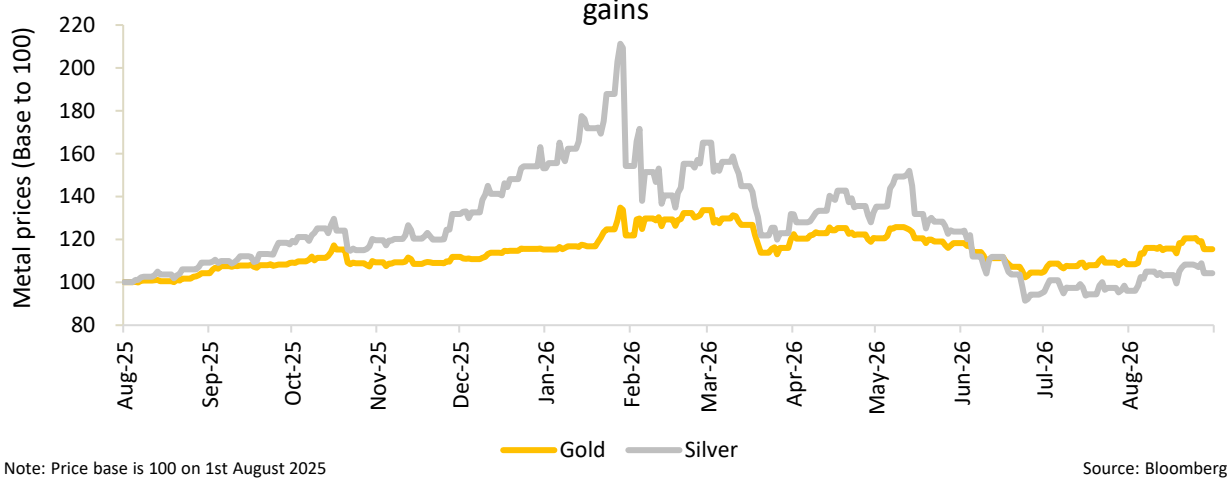
Source: Bloomberg

Stalled diplomatic talks and interim attacks in West Asia led to volatile crude prices during the month



Source: Bloomberg

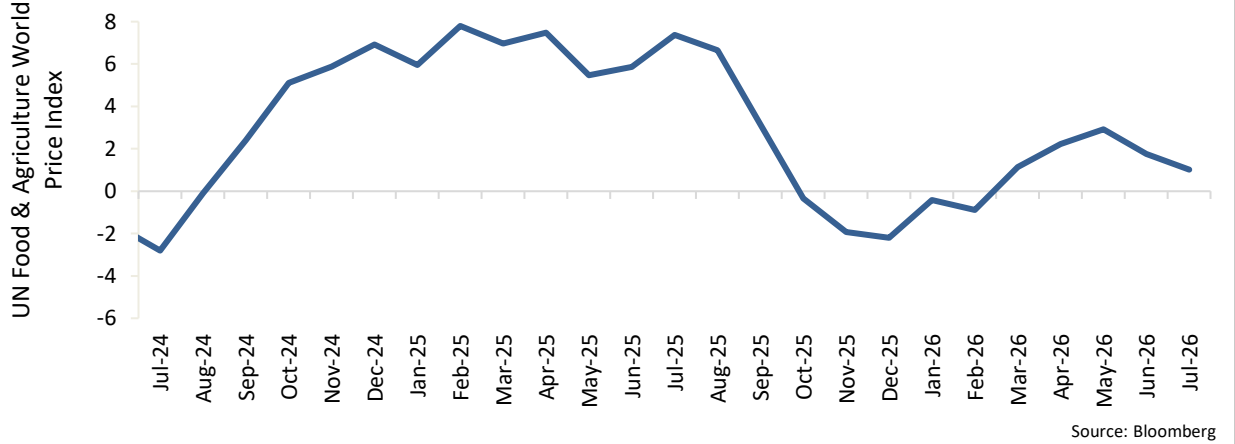
As bets on immediate rate hikes receded, both Gold and Silver saw strong gains



Note: Price base is 100 on 1st August 2025

Source: Bloomberg

Despite moderation Global food prices may face further pressure due to persistence of El Nino conditions



Source: Bloomberg

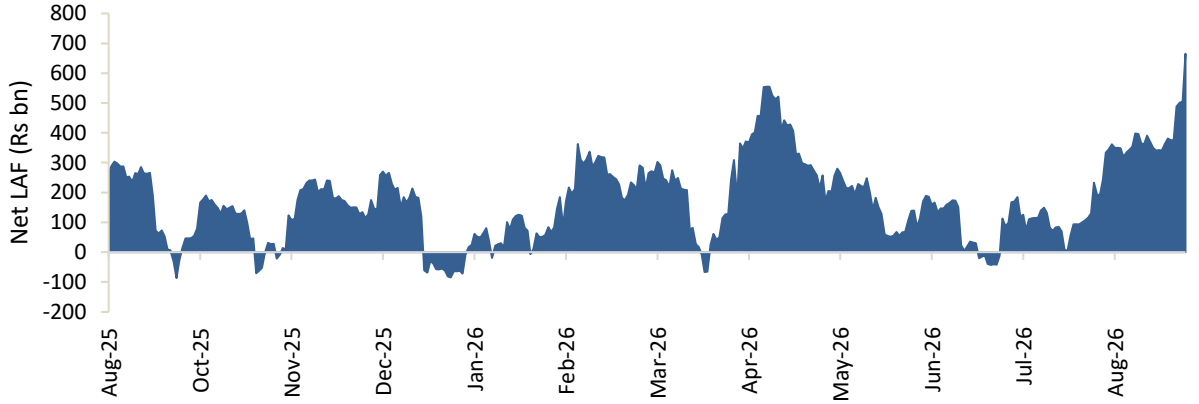
As FCNR(B) flows ticked all boxes, RBI decided to prematurely close its incentivised swap window by 31st August 2026

The incentivised FCNR(B) scheme has garnered a record amount despite the shortened deadline…

Type	~Amount (USD bn)
FCNR(B) Deposits	127.22
OFCBs (Overseas Foreign Currency Borrowings)	5.26
ECBs (External Commercial Borrowings)	3.89
Total	136.38

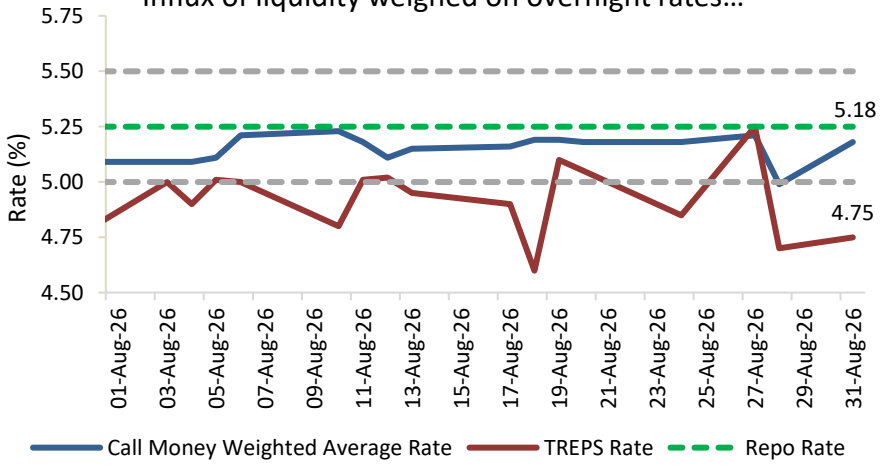
Source: RBI

… which resulted in the system liquidity moving to substantially surplus levels



Source: Bloomberg

Influx of liquidity weighed on overnight rates…



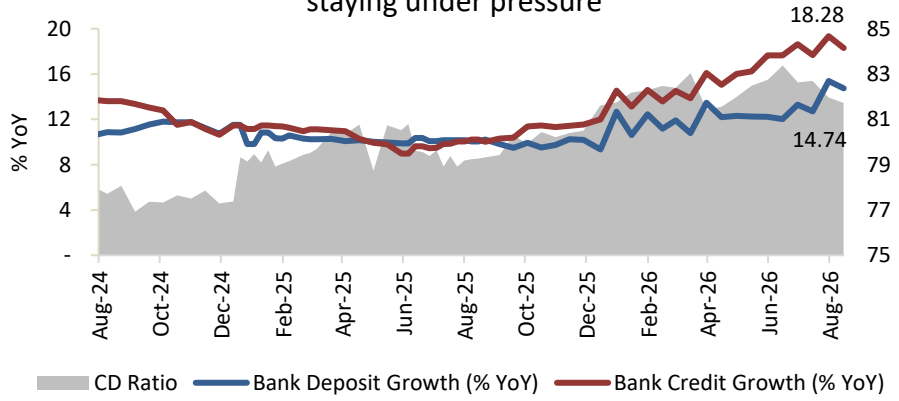
Source: Bloomberg, Cogencis

… prompting the RBI to conduct large scale VRRRs

Tenure	No. of auctions	Amount (in Rs bn)
1-Day	13	17,500
2-Day	1	1,750
3-Day	4	7,250
4-Day	1	1,500
7-Day	3	6,500
15-Day	1	6,000
Total	**23**	**40,500**

Source: RBI

Despite deposit growth seeing strong momentum, it still lagged credit growth, leading to Credit to Deposit ratio staying under pressure

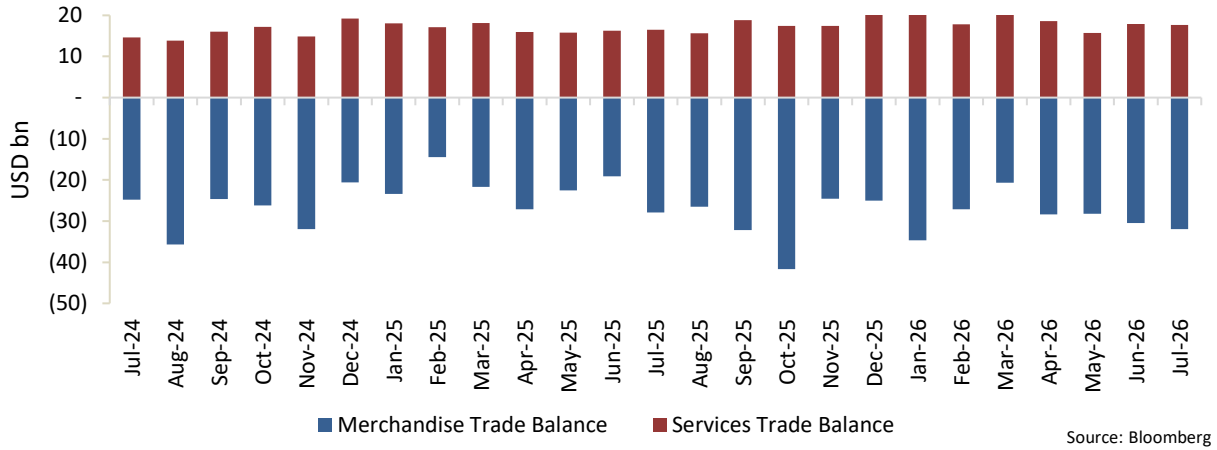


Source: Bloomberg

Classification - Restricted

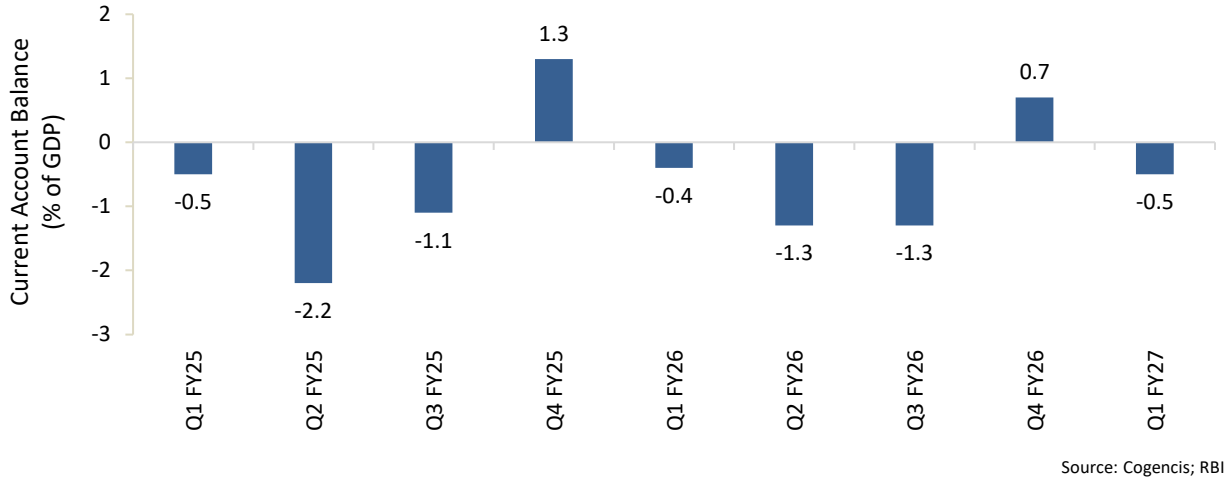
Though trade deficit continued rising, capital flows led by FCNR(B) and RBI's likely intervention kept currency in a range

Merchandise Trade deficit widened to a 6 month high driven by a higher oil import bill…



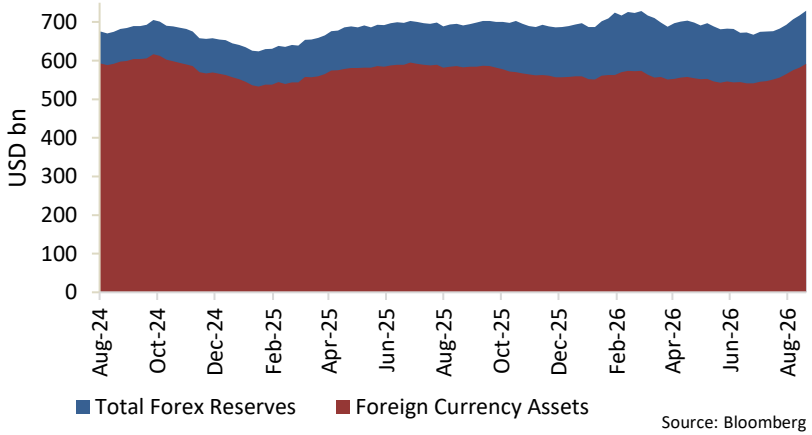
Source: Bloomberg

… leading to widening of the Current account Deficit on a YoY basis



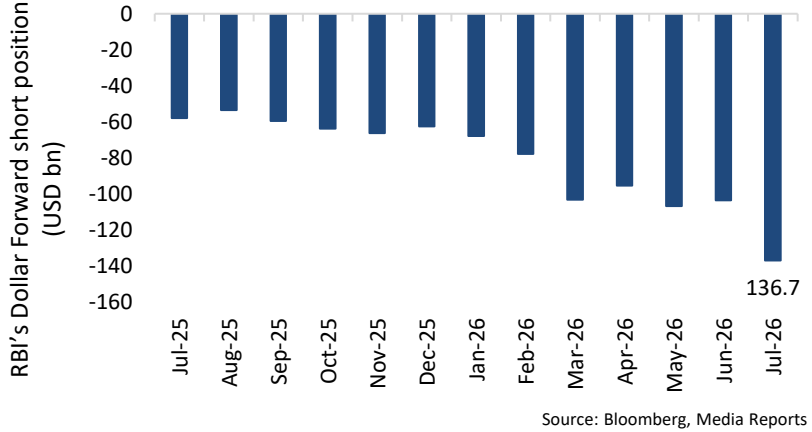
Source: Cogencis; RBI

Forex reserves saw sharp upward movement on the back of robust foreign currency flows…



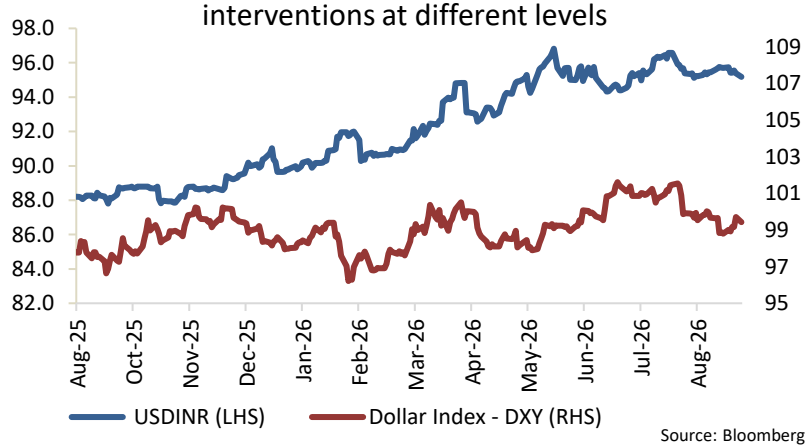
Source: Bloomberg

… but the exchange swap facility meant the forward short book surged to a record high



Source: Bloomberg, Media Reports

INR stayed within a range as FCNR(B) collections provided support along with RBI's probable interventions at different levels

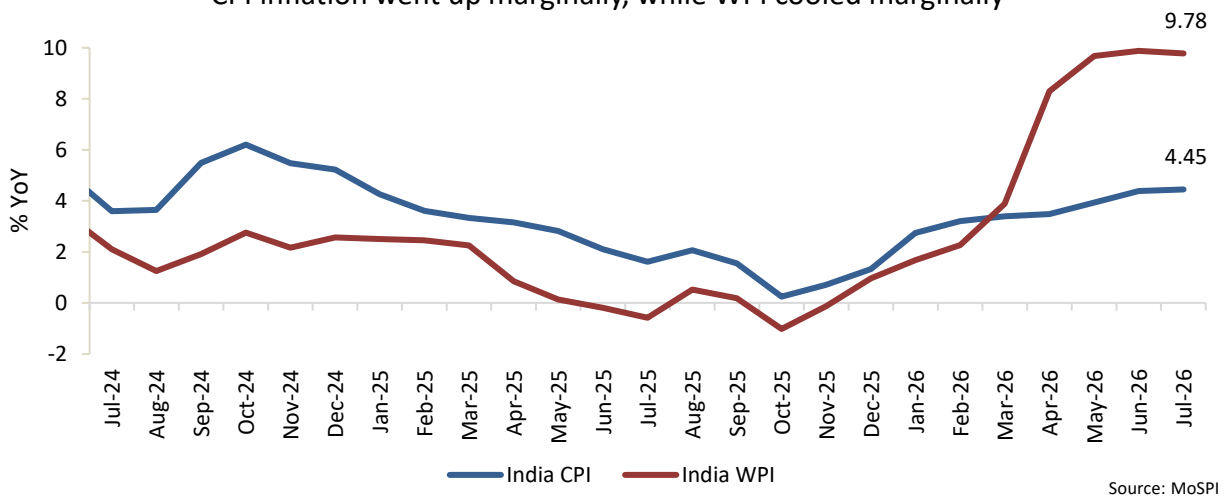


Source: Bloomberg

Classification - Restricted

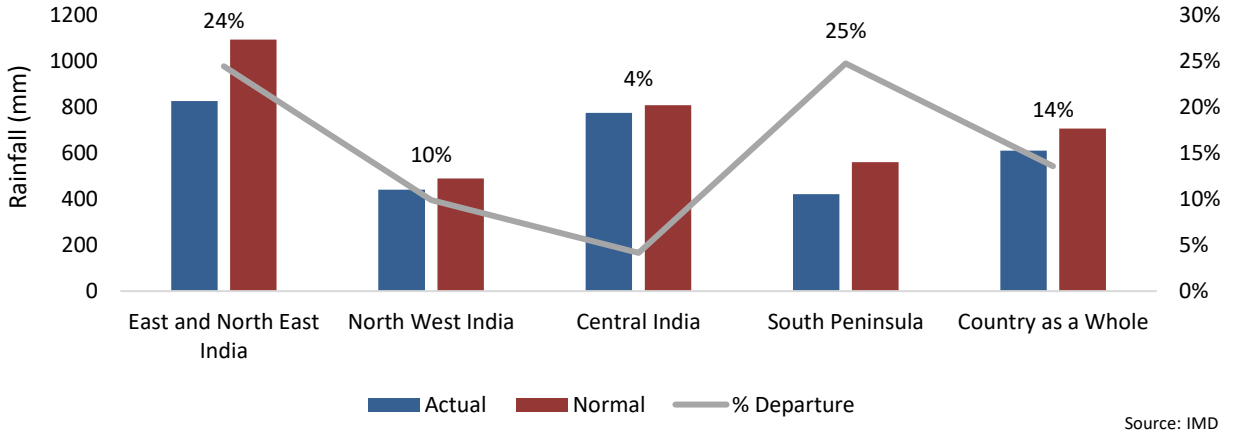
CPI inflation accelerated marginally, but a stronger than expected GDP print for Q1 FY27 despite disruptions from the West Asia crisis has provided space to the RBI to hike rates

CPI inflation went up marginally, while WPI cooled marginally



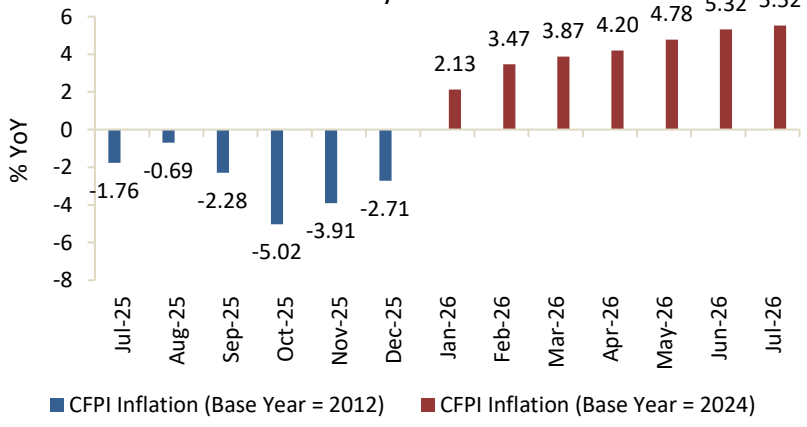
Source: MoSPI

El Nino conditions continued affecting rainfall as it remained below its Long Period Average (LPA)



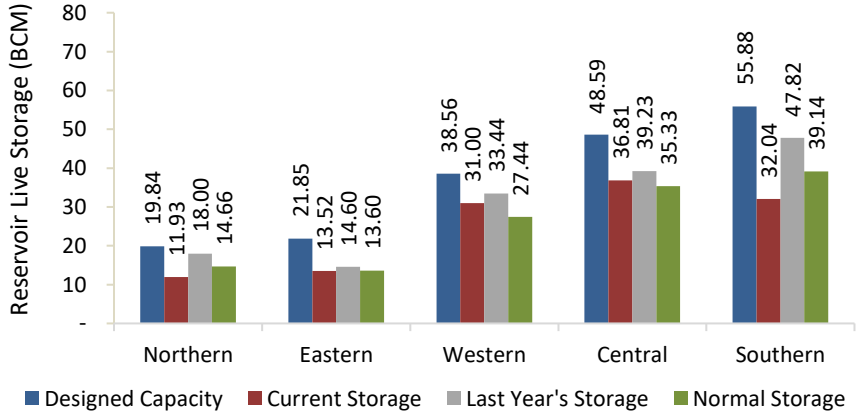
Source: IMD

Food inflation continued moving up and remains a key risk



Source: MoSPI

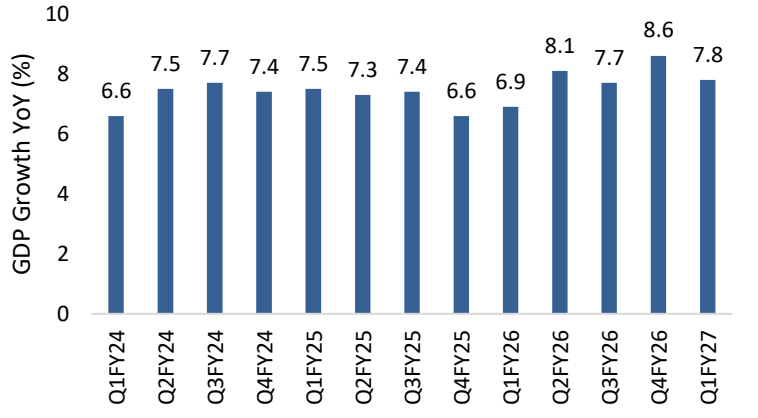
Reservoir levels provided support but that meant it came down from last year's higher levels



Note: Data as on 27-08-2026

Source: CWC

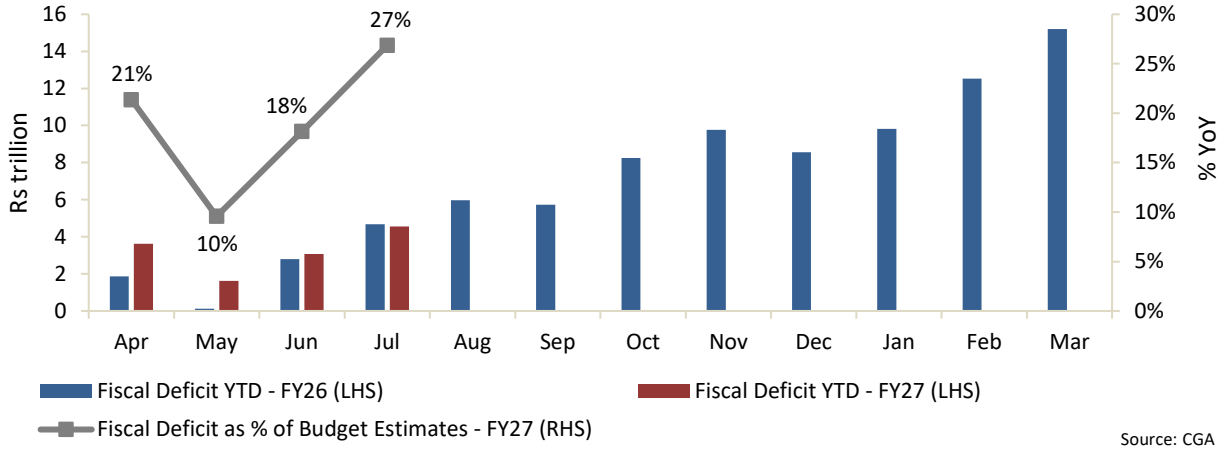
GDP growth came in stronger than RBI's estimate of 7% for Q1 FY27



Source: NSO

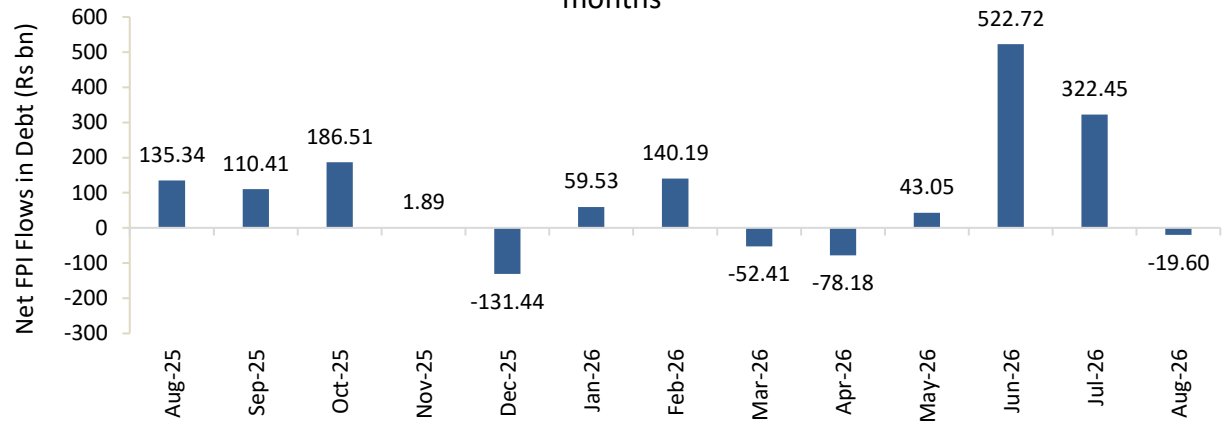
G-sec yields came under pressure due to the announcement of premature closure of the FCNR(B) incentive scheme and the hawkish tone in the RBI MPC's minutes of the meeting along with a marginal selloff by FPIs in Indian Debt

India's Fiscal Deficit narrowed marginally against the same period of the previous fiscal on the back of higher net tax revenue



Source: CGA

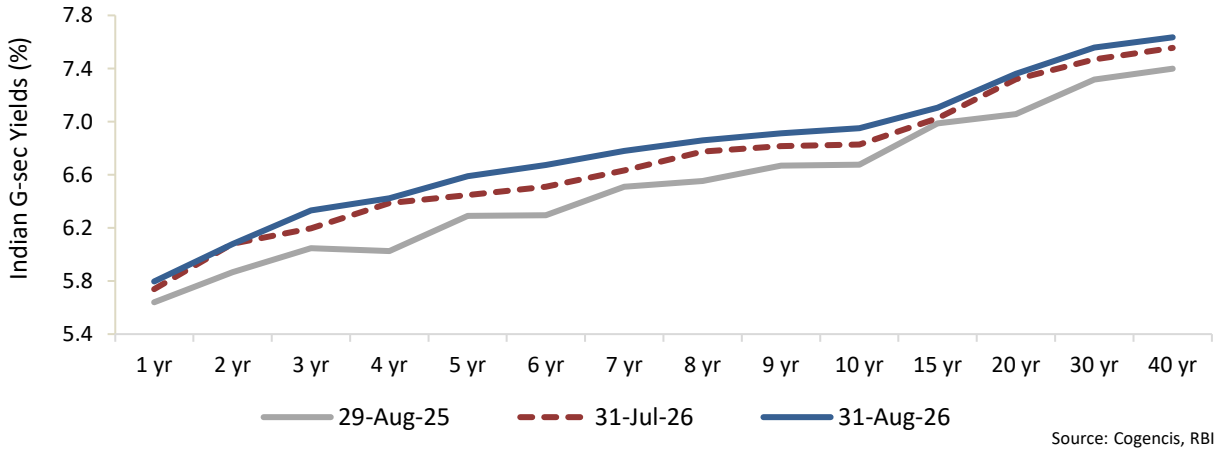
FPIs turned net sellers after the significant interest shown in previous two months



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

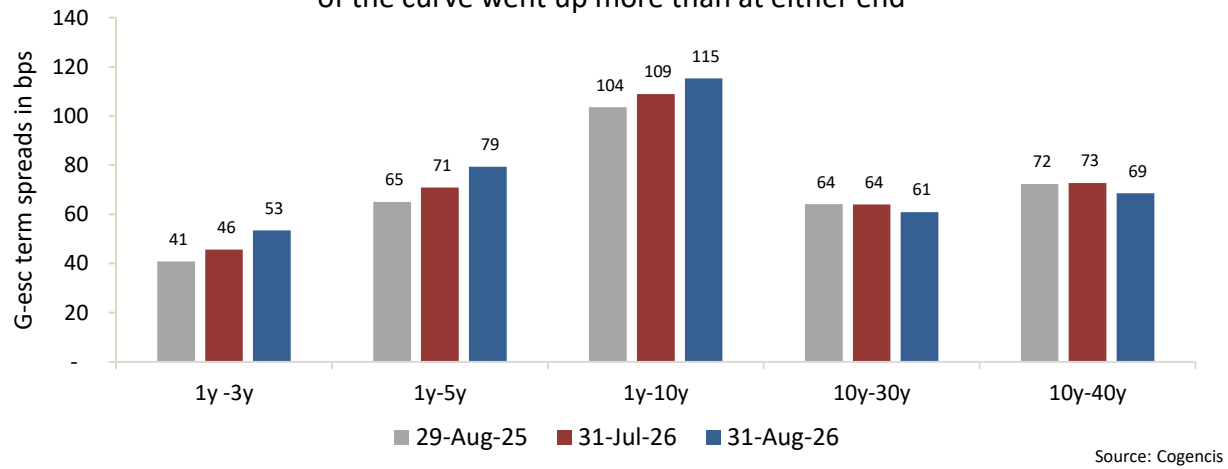
Source: NSDL

The hawkish MPC minutes pushed up rate hike expectations, keeping G-sec yields under pressure



Source: Cogencis, RBI

Term spreads showed a mixed picture as yields at the short to medium part of the curve went up more than at either end

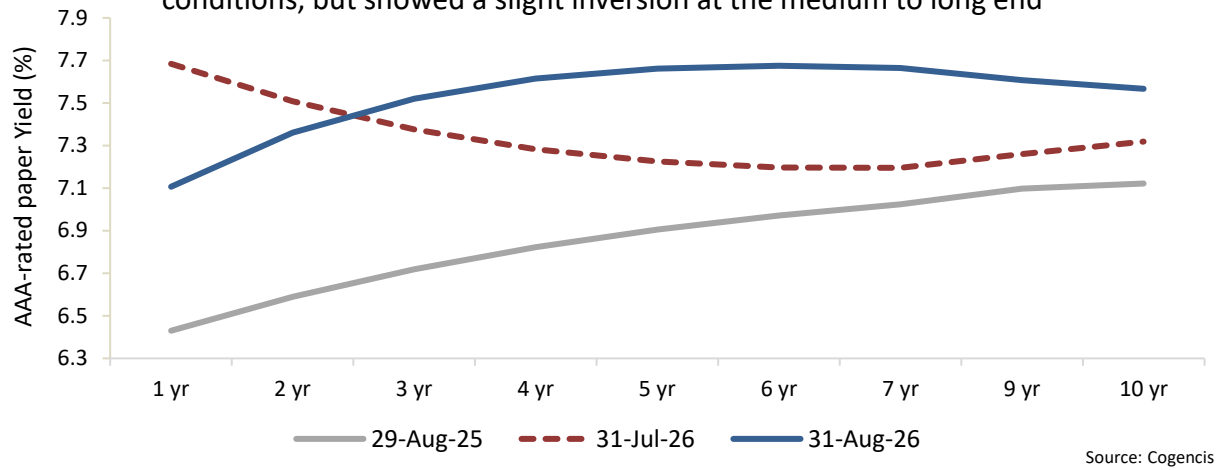


Source: Cogencis

Classification - Restricted

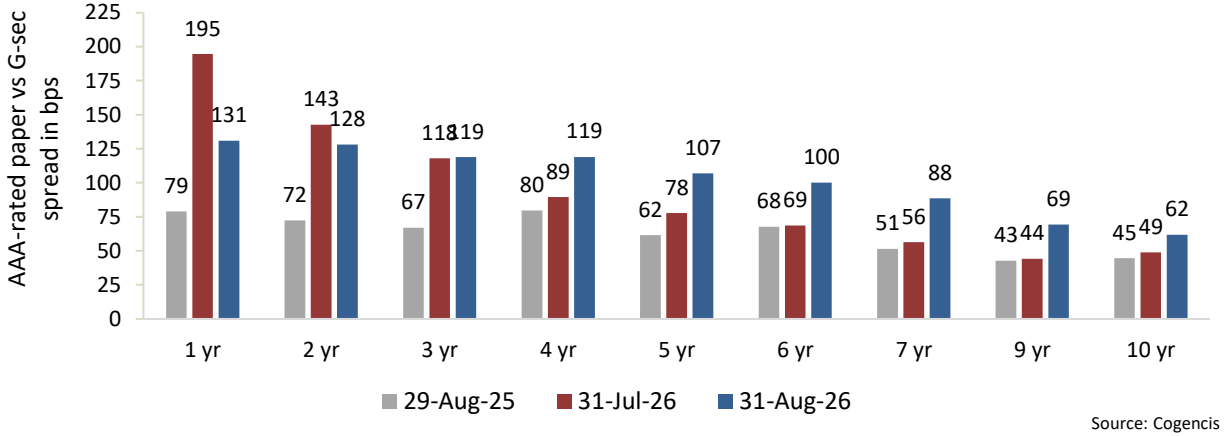
Corporate bond yields came under pressure post FCNR(B) closure, whereas SDL yields remained elevated as supply remains unabated

Corporate bond curve normalized at the shorter end due to surplus liquidity conditions, but showed a slight inversion at the medium to long end



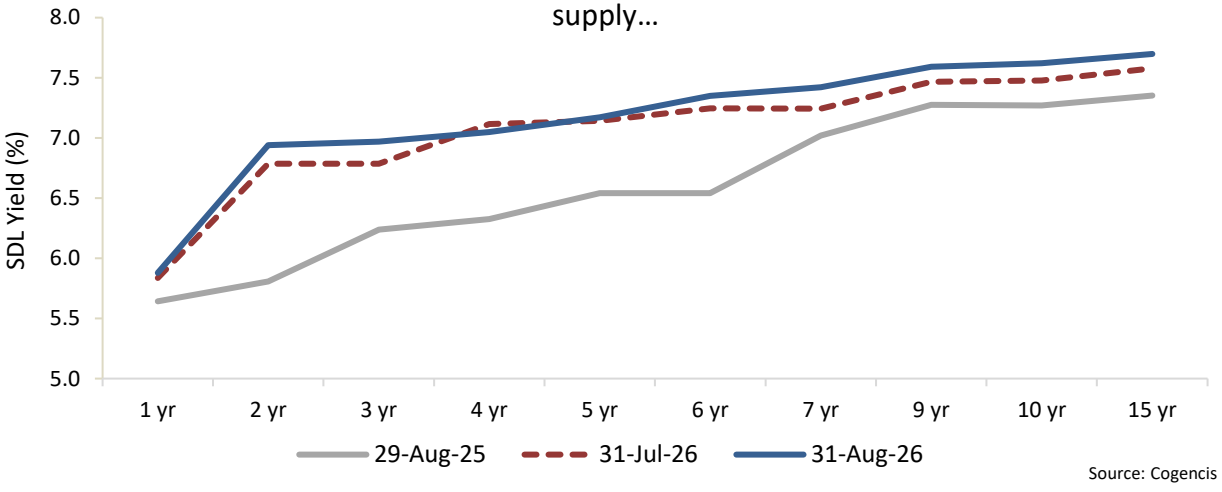
Source: Cogencis

Corporate bond spreads went up across the curve barring the shorter end as the expected demand from banks on the back of FCNR(B) did not materialize



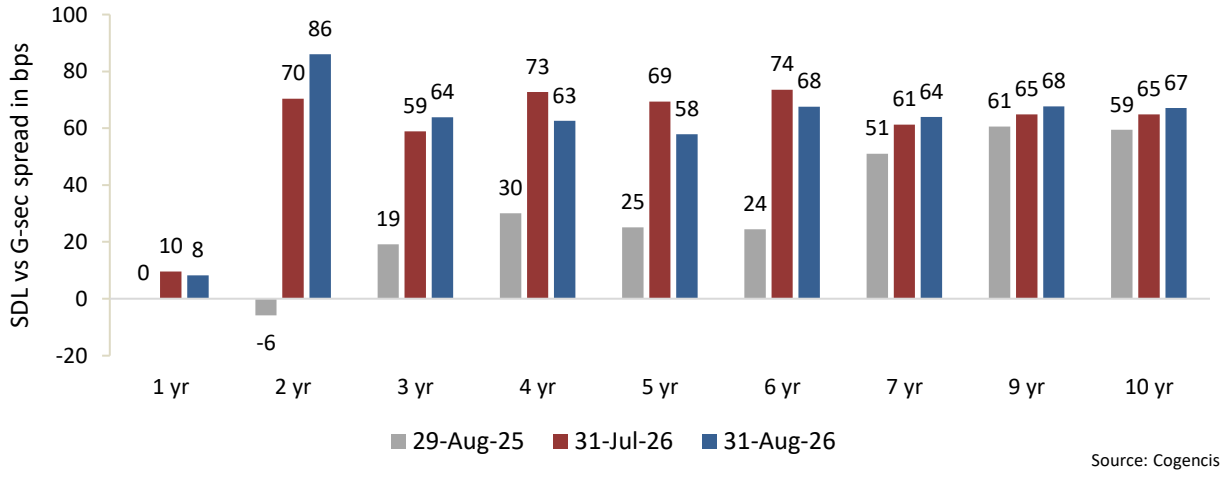
Source: Cogencis

SDL yields remained elevated across the curve on persistently higher supply…



Source: Cogencis

… keeping the spreads at attractive levels



Source: Cogencis

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