

EBONY RESEARCH — MONTHLY MARKET UPDATE
SEPTEMBER 2025

“Thousands of experts study overbought indicators, head-and-shoulder patterns, put-call ratios, the Fed’s policy on money supply and they can’t predict markets with any useful consistency, any more than the gizzard squeezers could tell the Roman emperors when the Huns would attack.”

PETER LYNCH

Dollar's Share in Global Reserves (Sourced from IMF)

IMF's unique data on the currency composition of global foreign exchange reserves, COFER, track how much of the world's reserves are held at central banks in different currencies—such as the US dollar, the euro, Japanese yen, Chinese renminbi, British pound, and others. The data are based on voluntary, confidential reports by 149 economies.

But a crucial detail is often overlooked: these shares are reported in US dollars. This means that if a country holds reserves in euros or yen, the value of those holdings is first converted into dollars before being added to the global totals. So, when exchange rates shift—even if no central bank buys or sells anything—reported shares change. The same can happen with movements in interest rates, but the impact on the currency shares was relatively small in the second quarter.

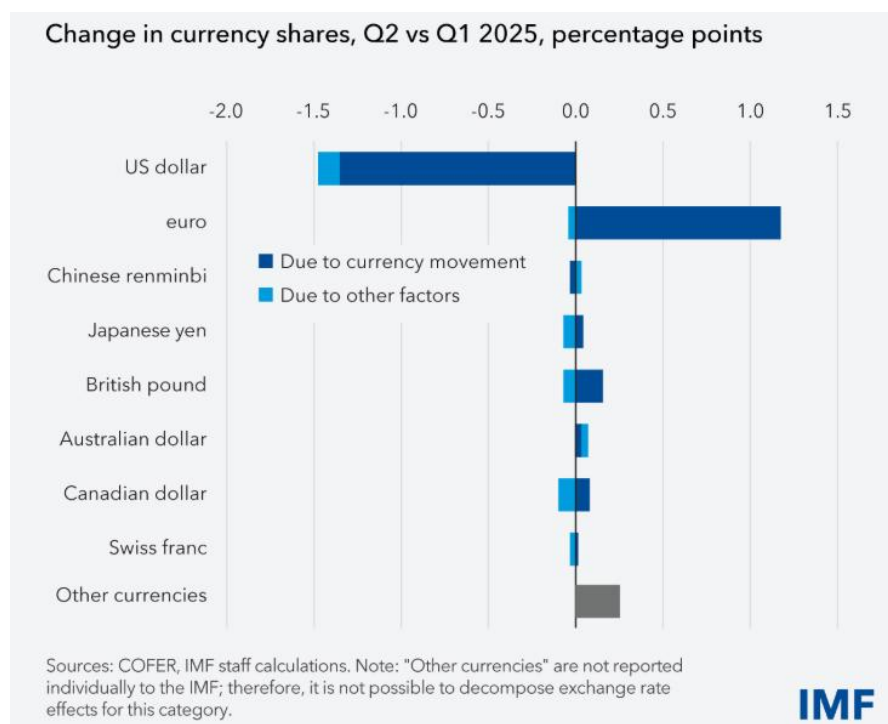
This year, exchange rate shifts have been noticeable.

DXY index—a benchmark measure of the US dollar's performance against the euro and the currencies of Japan, the United Kingdom, Canada, Sweden, and Switzerland—fell more than 10% in the first half of the year, its biggest drop since 1973. The dollar depreciated by 7.9% against the euro in the second quarter, and by 10.6% in the first half. It fell by 9.6% against the Swiss franc in the second quarter, and by more than 11 % in the first six months, its weakest first-half performance against the franc in more than a decade.

This means that even if central banks made no changes to their portfolios, the value of their non-dollar holdings—when expressed in dollars—increased, resulting in a corresponding decrease in the share of dollar holdings.

At first glance, the raw data suggest a drop in the dollar's share of allocated reserves to 56.32% at the end of the second quarter from 57.79% at the end of the first quarter, down 1.47%. However, by holding exchange rates constant, its share would have fallen only slightly to 57.67%.

Chart 1: Currency movement impacting USD's share in reserves



Global Overview

Global uncertainty remained elevated in the wake of lingering US trade policy uncertainties with key trading partners, renewed concerns on fiscal health of advanced economies (AEs) and geopolitical risks. Despite uncertainties clouding the economic outlook, the global purchasing manager's index (PMI) rose to a 14-month high in August with manufacturing PMI moving into the expansion zone accompanied by a robust expansion in services sector activity.

Global commodity prices largely eased in August though a sharp pick-up in select commodities, particularly gold and coffee, were witnessed since the second half of August. Bond yields across AEs continued to harden in August as debt sustainability concerns assumed centre-stage. Demand for alternative safe-haven assets, on the other hand, propelled gold prices to a record high. US bond yields declined since end-August on rising expectations of Fed easing. Thereafter in September, yields declined further and stabilised following the rate cut by Fed. Reflecting these factors, the US dollar also fell for most of August and September.

Inflation trends remained divergent across AEs and emerging markets and developing economies (EMDEs). While AEs grappled with sticky inflation, the EMDEs experienced disinflation. In August/September, major central banks reduced their benchmark interest rates, prioritising concerns on domestic growth and unemployment over inflation.

Chart 2: Uncertainty Indicators

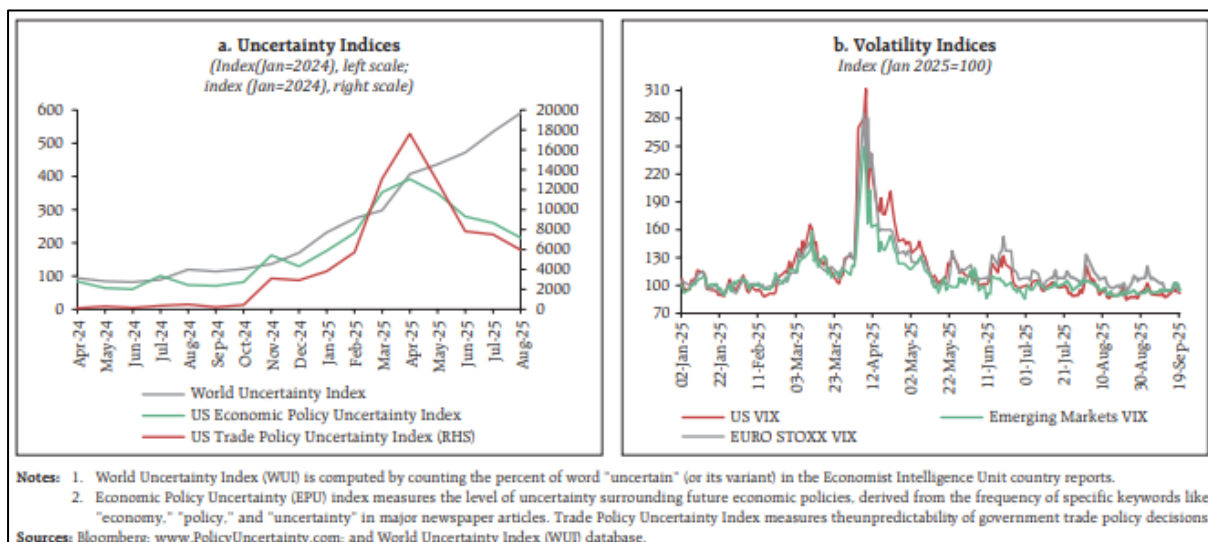


Table 1 : Global Purchasing manager's Index

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
PMI composite	52.9	51.9	52.3	52.4	52.6	51.8	51.5	52.1	50.8	51.2	51.7	52.4	52.9
PMI manufacturing	49.6	48.7	49.4	50.1	49.6	50.1	50.6	50.3	49.8	49.5	50.4	49.7	50.9
PMI services	53.9	52.9	53.1	53.1	53.8	52.2	51.5	52.7	50.8	52.0	51.8	53.4	53.4
PMI export orders	49.0	48.5	48.9	49.3	48.7	49.6	49.7	50.1	47.5	48.0	49.1	48.5	48.9
PMI export orders: manufacturing	48.4	47.5	48.3	48.6	48.2	49.4	49.6	50.1	47.3	48.0	49.2	48.2	48.7
PMI export orders: services	50.8	51.6	50.7	51.3	50.3	50.2	50.2	50.1	48.2	47.9	48.7	49.4	49.3

<<<<<< Contraction ————— 50 ————— Expansion >>>>>>

Notes: 1. The Purchasing Managers' Index (PMI), a diffusion index, captures the change in each variable compared to the prior month, noting whether each has risen/improved, fallen/deteriorated or remained unchanged. A PMI value >50 denote expansion; <50 denote contraction; and =50 denote 'no change'. 2. Heat map is applied on data from April 2023 till August 2025. The map is colour coded—red denotes the lowest value, yellow denotes 50 (or the no change value), and green denotes the highest value in each of the PMI series.

Source: S&P Global.

Chart 3: Country-wise Purchasing manager's index and export orders

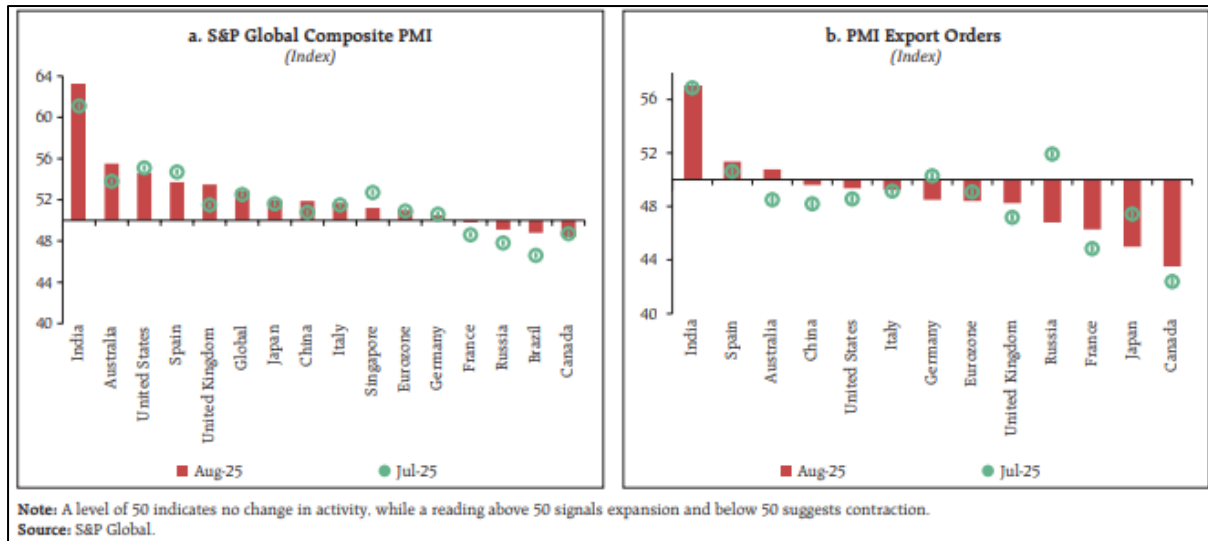


Chart 4: Global Inflation scenario

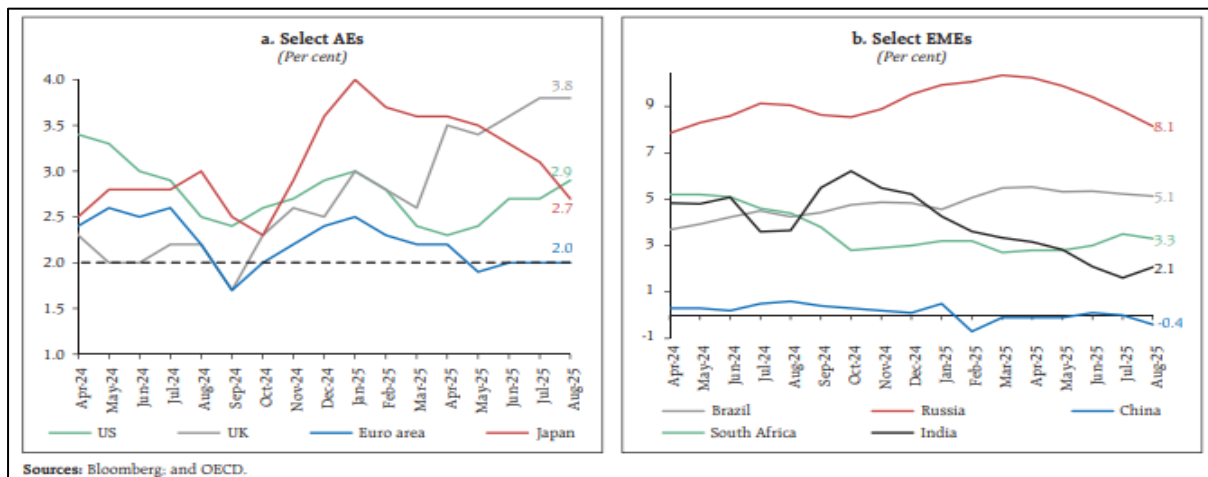
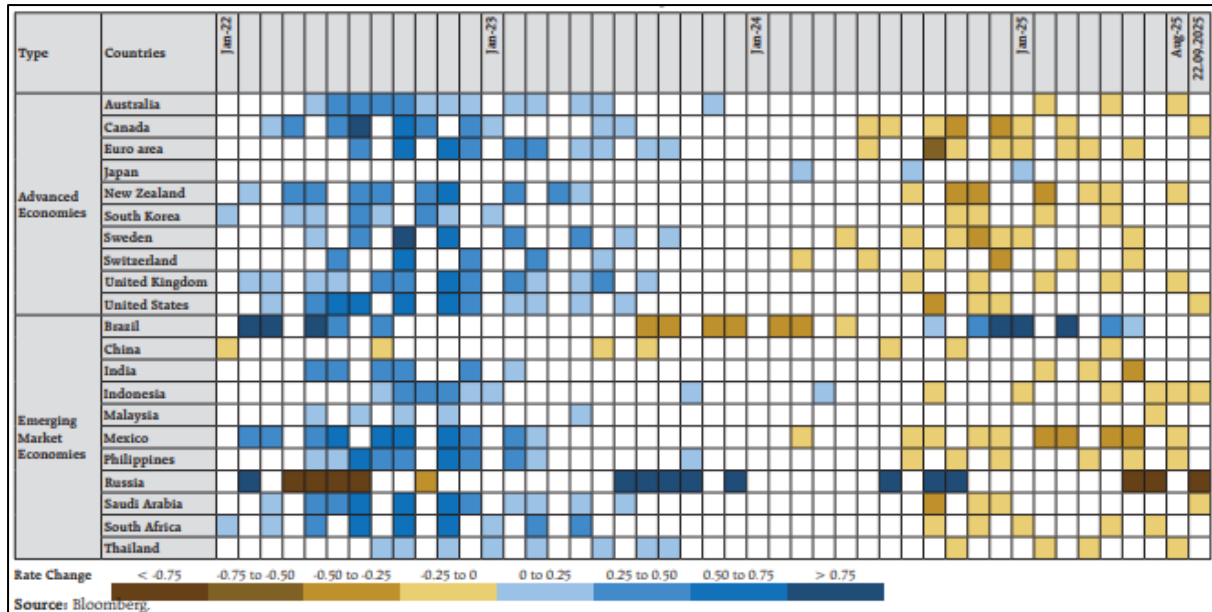


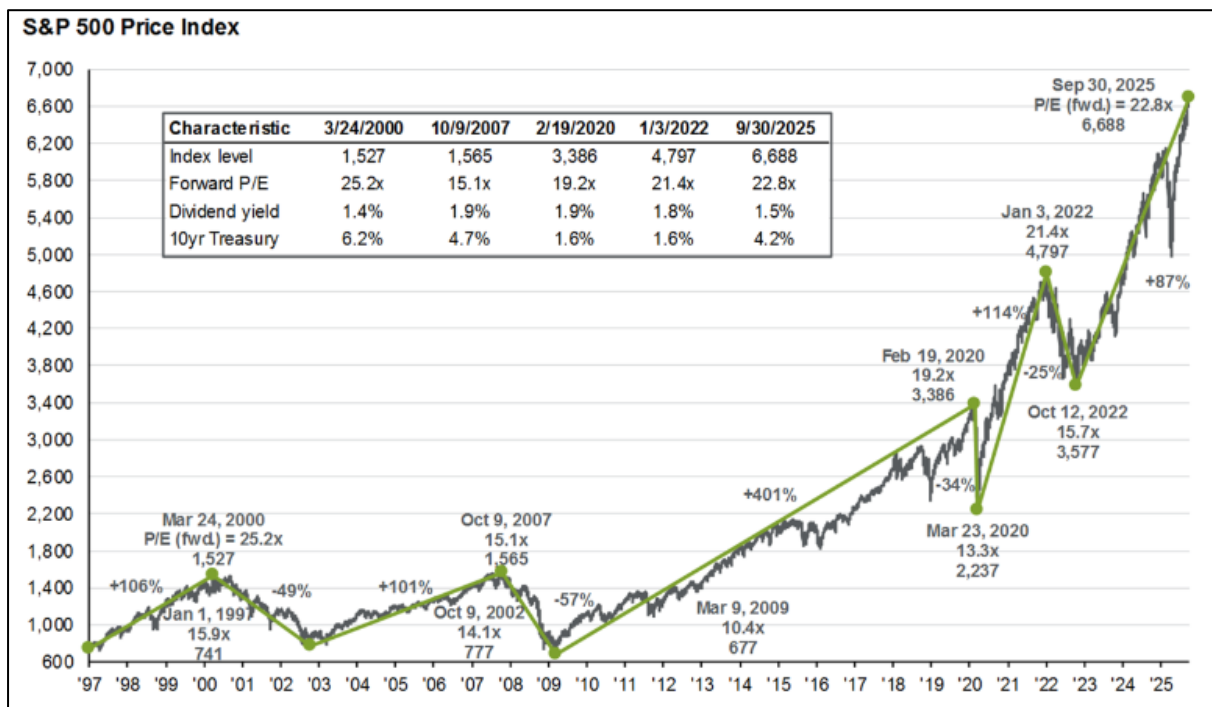
Chart 5: Global Policy rate



U.S. Markets

U.S. Equities

Chart 6: S&P 500 Index Valuation relative to last 30 years



Source: JP Morgan

Chart 7: Global Heat Map

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	YTD	Q3 '25
Japan TOPIX 12.1%	UK FTSE All-Share 16.8%	MSCI Asia ex-Japan 42.1%	US S&P 500 -4.4%	US S&P 500 31.5%	MSCI Asia ex-Japan 25.4%	US S&P 500 28.7%	UK FTSE All-Share 0.3%	Japan TOPIX 28.3%	US S&P 500 25.0%	MSCI EM 28.2%	MSCI Asia ex-Japan 11.1%
MSCI Europe ex-UK 9.1%	US S&P 500 12.0%	MSCI EM 37.8%	UK FTSE All-Share -9.5%	MSCI Europe ex-UK 27.5%	MSCI EM 18.7%	MSCI Europe ex-UK 24.4%	Japan TOPIX -2.5%	US S&P 500 26.3%	Japan TOPIX 20.5%	MSCI Asia ex-Japan 27.5%	Japan TOPIX 11.0%
US S&P 500 1.4%	MSCI EM 11.6%	Japan TOPIX 22.2%	MSCI Europe ex-UK -10.6%	UK FTSE All-Share 19.2%	US S&P 500 18.4%	UK FTSE All-Share 18.3%	MSCI Europe ex-UK -12.2%	MSCI Europe ex-UK 17.3%	MSCI Asia ex-Japan 12.5%	UK FTSE All-Share 16.6%	MSCI EM 10.9%
UK FTSE All-Share 1.0%	MSCI Asia ex-Japan 5.8%	US S&P 500 21.8%	MSCI Asia ex-Japan -14.1%	MSCI EM 18.9%	Japan TOPIX 7.4%	Japan TOPIX 12.7%	US S&P 500 -18.1%	MSCI EM 10.3%	UK FTSE All-Share 9.5%	Japan TOPIX 15.3%	US S&P 500 8.1%
MSCI Asia ex-Japan -8.9%	MSCI Europe ex-UK 3.2%	MSCI Europe ex-UK 14.5%	MSCI EM -14.2%	MSCI Asia ex-Japan 18.5%	MSCI Europe ex-UK 2.1%	MSCI EM -2.2%	MSCI Asia ex-Japan -19.4%	UK FTSE All-Share 7.9%	MSCI Europe ex-UK 8.1%	US S&P 500 14.8%	UK FTSE All-Share 6.9%
MSCI EM -14.6%	Japan TOPIX 0.3%	UK FTSE All-Share 13.1%	Japan TOPIX -16.0%	Japan TOPIX 18.1%	UK FTSE All-Share -9.8%	MSCI Asia ex-Japan -4.5%	MSCI EM -19.7%	MSCI Asia ex-Japan 6.3%	MSCI EM 8.1%	MSCI Europe ex-UK 13.4%	MSCI Europe ex-UK 2.8%

Source: FTSE, LSEG Datastream, MSCI, S&P Global, TOPIX, J.P. Morgan Asset Management. All indices are total return in local currency, except for MSCI Asia ex-Japan and MSCI EM, which are in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 30 September 2025.

Global equities rallied in the third quarter, with both developed and emerging markets delivering substantial returns. The gains were primarily fuelled by the continued AI boom, strong corporate earnings, and a Fed interest rate cut. Emerging markets also benefited from the weaker US dollar.

While concerns about US trade policy were not as headline dominating as they had been earlier in the year and progress was made on several fronts, uncertainty persists. Companies globally are reconfiguring their supply chains to reduce their dependence on the US and China, which have been at the centre of recent trade conflicts.

Even amid the strong rally, elevated stock valuations, persistent inflation and ongoing geopolitical tensions continue to present potential challenges for markets.

U.S. shares scored strong gains in the third quarter, as the S&P 500 Index and the Nasdaq Composite both climbed to record-setting highs. The markets benefited from optimism over a rate cut by the Fed in September (with expectations of more coming before year-end), strong corporate earnings and renewed enthusiasm for AI, which helped boost the technology-heavy Nasdaq. The U.S. Equities led by S&P 500 gained 3.53% in September, lifting its year-to-date performance to 13.72%. For the Dow Jones Industrial Average, a 1.87% monthly advance has brought its cumulative increase for the year to 9.06%. The S&P MidCap 400 recorded a modest 0.29% uptick in September, resulting in a 4.57% year-to-date gain. Similarly, the S&P SmallCap 600 ended the month up by 0.80%, with a total rise of 2.92% for the year.

Index	1-Month (%)	3-Month (%)	YTD (%)	1-Year (%)	3-Year (%)
S&P 500	3.53	7.79	13.72	16.07	86.54
Dow Jones Industrial Average	1.87	5.22	9.06	9.61	61.52
S&P MidCap 400	0.29	5.18	4.57	4.54	48.11
S&P SmallCap 600	0.80	8.66	2.92	1.91	36.09

Source: S&P Dow Jones Indices LLC. Data as of Sept. 30, 2025. Past performance is no guarantee of future results. Table is provided for illustrative purposes. Returns shown are price returns.

The continued resilience of the US economy was evident from strong gross domestic product (GDP) growth, steady consumer spending and benign core inflation. A late-September revision to US GDP numbers showed the economy expanded at an annual rate of 3.8% in the second quarter of 2025. Those positive economic indicators also helped boost investor optimism about the fourth quarter. An anticipated government shutdown, which did materialise on the first day of the fourth quarter, also created some uncertainty for markets.

Stock markets are at all-time highs even as the U.S. government shutdown continues to cloud the economic picture. The government shutdown, which started last week, has created a data blackout, leaving investors to rely on unofficial reports and statements from Federal Reserve officials.

The Labor Department's pause on virtually all activity blocked last Friday's release of the September nonfarm payrolls report. Although that removes a factor that could lend pressure to stocks, it lessens the amount of economic data the Federal Reserve can take into account for its interest rate decision at its October meeting later this month. Markets largely expect the central bank will lower its key interest rate by another 25bps according to the CME FedWatch tool.

However, last month's rally extended equity valuations even further. Investors seem to be pricing in a goldilocks scenario where growth accelerates, driven by fiscal stimulus and an AI-induced productivity boom, and inflation remains at moderate levels. But at a price-to-earnings multiple of 20x for global equities, compared to the long-term average of 16x, there is little room for disappointment. Well-diversified portfolios are therefore essential to protect against both the risk that inflation resurges and pushes bond yields much higher, and the risk that the economy falls into recession.

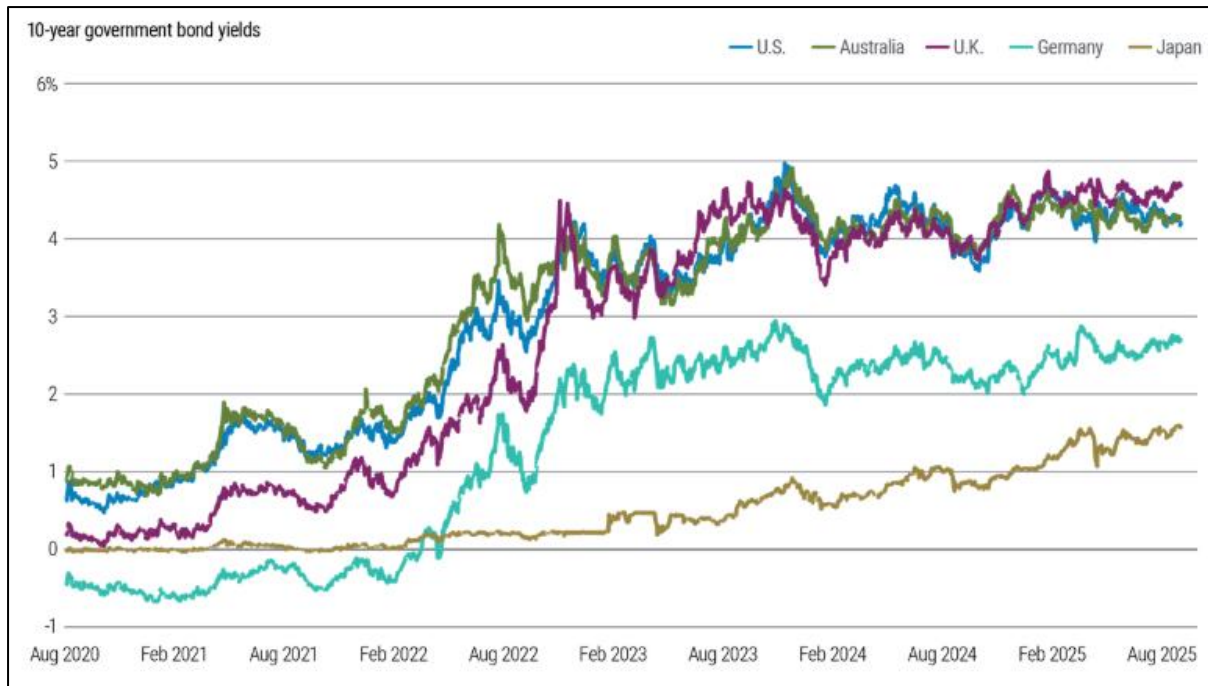
With stocks near record highs and elevated valuation levels, tariff concerns, and geopolitical risks present, the set-up this year may be for additional volatility.

U.S. Bonds – Fed likely to cut rates further

The fixed income opportunity is especially timely with central banks globally poised to cut interest rates further. Starting yields have historically been a strong predictor of subsequent five-year returns. Looking at high quality bond benchmarks as of 26 September 2025, the Bloomberg US Aggregate Index yield is 4.42% and the Global Aggregate Index (U.S. dollar hedged) yield is 4.73%.

Fixed income valuations are attractive both in absolute terms and relative to equities, which have climbed to historically lofty levels. Bond allocations remain an anchor for investment portfolios, providing stability and a potential hedge against elevated equity market risks.

Chart 8: Global bond yields particularly in U.S. remain attractive



Source: PIMCO

Globally, monetary easing is set to continue. The Bank of England and Reserve Bank of Australia are likely to cut more aggressively as disinflation resumes, while the European Central Bank and Bank of Canada – which are closer to neutral policy levels – will make smaller adjustments. The Bank of Japan remains an exception, with below-neutral policy and a rate hike anticipated. Central banks have room to cut rates more than is currently priced into markets if U.S. tariff fallout worsens and fiscal easing proves an insufficient offset.

Global inflation should remain generally benign through 2026, with regional divergence. The U.S. will likely remain a laggard in reaching its 2% inflation target. Inflation in developed markets (DM) excluding the U.S. is likely to converge to 2% central bank target levels by 2026.

With global slowdown and manageable inflation, we believe U.S. Fed will continue with rate cuts going in to 2026 and that will be supportive of bond prices despite deficit, high national debt and weakness in USD.

Table 2: Yield of U.S. treasuries as of 30 September 2025

Duration	Yield %
1-Year	3.68
5-Year	3.74
10-Year	4.16
30-Year	4.73

Source: StatLane Research

Chart 9: Fed Funds rate

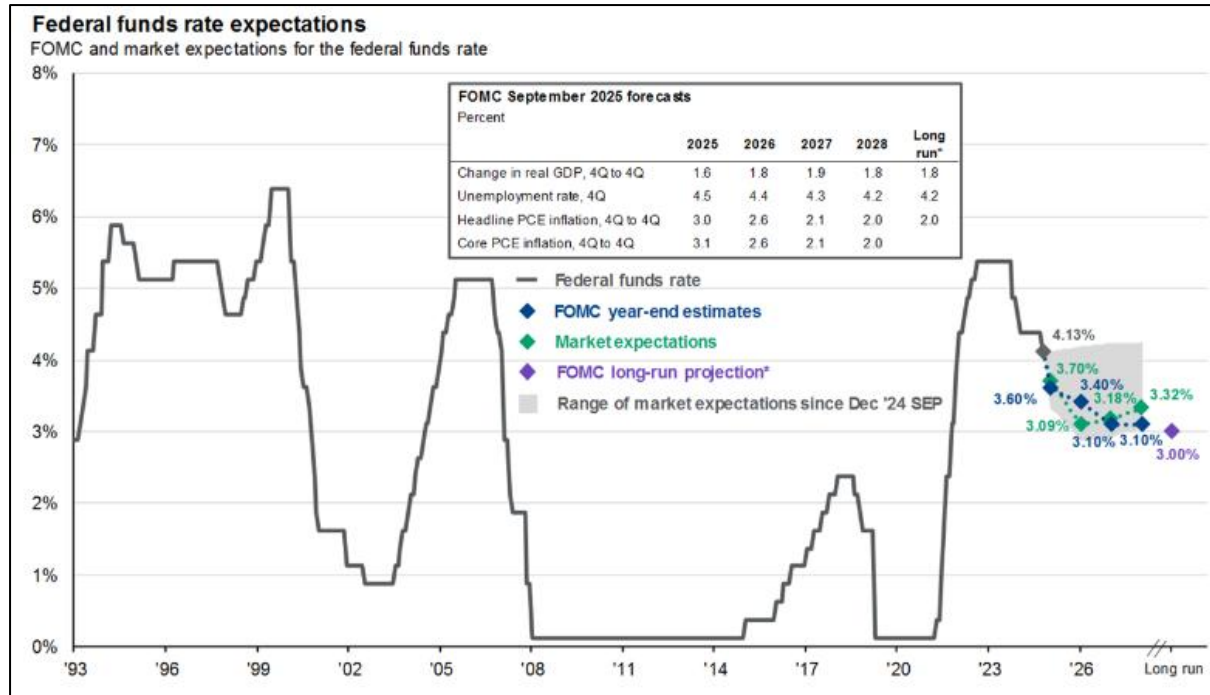
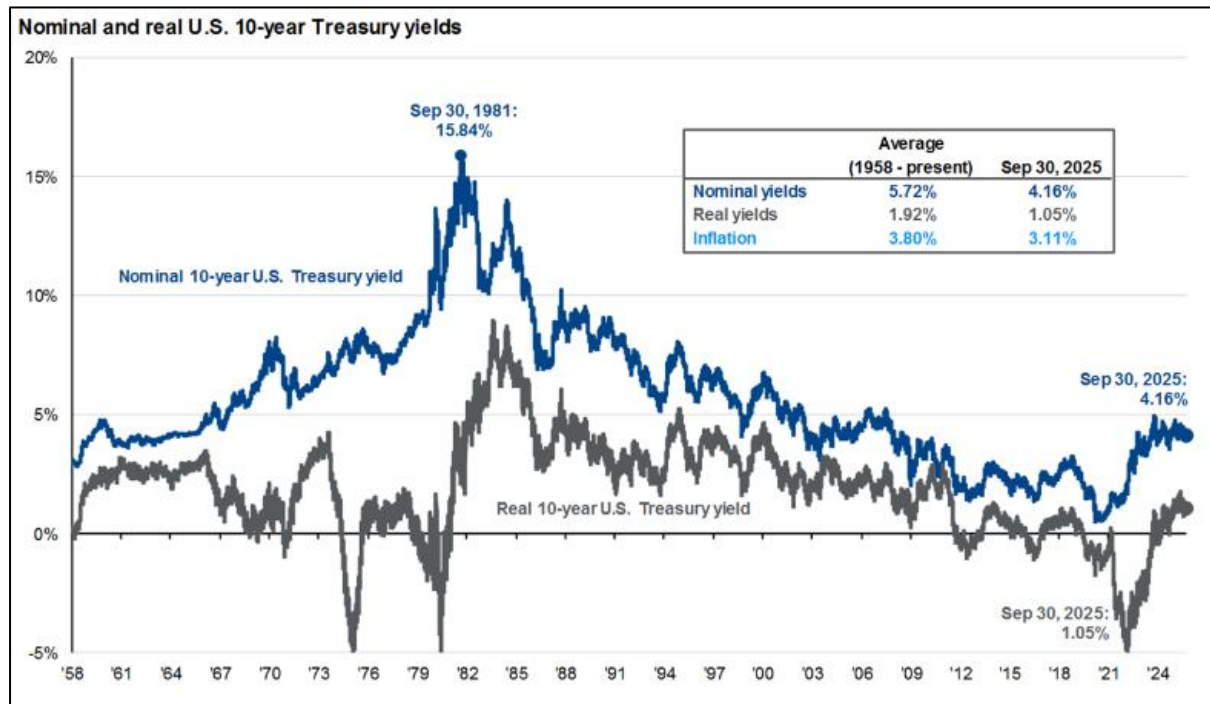


Chart 10: U.S. Real Yields



Source: J.P.M Guide to markets

India

Monetary Policy Statement - September 29 to October 1, 2025

After a detailed assessment of the evolving macroeconomic and financial developments and the outlook, the MPC voted unanimously to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 5.5%; consequently, the standing deposit facility (SDF) rate remains at 5.25% while the marginal standing facility (MSF) rate and the Bank Rate remains at 5.75%. The MPC also decided to continue with the neutral stance.

Growth and Inflation Outlook

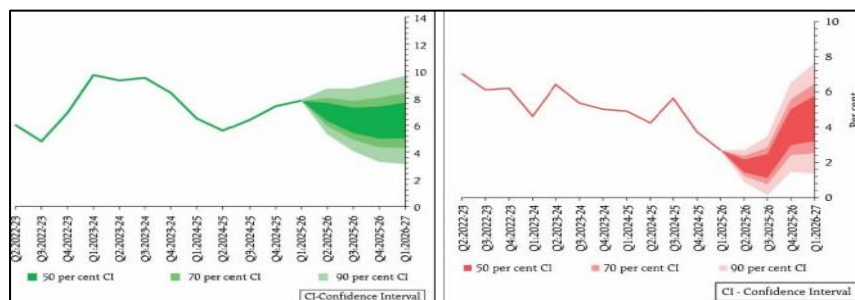
The global economy has been more resilient than anticipated in 2025, with robust growth in the US and China. The outlook, however, remains clouded amidst elevated policy uncertainty. Inflation has remained above their respective targets in some advanced economies, posing fresh challenges for central banks as they navigate the shifting growth-inflation dynamics

In India, real gross domestic product (GDP), driven by strong private consumption and fixed investment, recorded a robust growth of 7.8% in Q1:2025-26. On the supply side, growth in gross value added (GVA) at 7.6% was led by a revival in manufacturing and steady expansion in services. Available high frequency indicators suggest that economic activity continues to remain resilient. Rural demand remains strong, riding on a good monsoon and robust agriculture activity, while urban demand is showing a gradual revival. Revenue expenditure of the Union and State Governments registered robust growth during the fiscal year so far (April-July). Investment activity, as suggested by healthy growth in construction indicators i.e., cement production and steel consumption in July-August, is holding up well even though production and import of capital goods witnessed some moderation. Recovery in manufacturing sector continues while services activity is sustaining its momentum.

Looking ahead, rising capacity utilisation, conducive financial conditions, and improving domestic demand should continue to facilitate fixed investment. However, ongoing tariff and trade policy uncertainties will impact external demand for goods and services. Prolonged geopolitical tensions and volatility in international financial markets caused by risk-off sentiments of investors also pose downside risks to the growth outlook. The implementation of several growth-inducing structural reforms, including streamlining of GST are expected to offset some of the adverse effects of the external headwinds. Taking all these factors into account, real GDP growth for 2025-26 is now projected at 6.8%

Headline CPI inflation declined to its eight-year low of 1.6% (y-o-y) in July 2025 before rising to 2.1% in August – its first increase after nine months. Benign inflation conditions during 2025-26 so far have been primarily driven by a sharp decline in food inflation from its peak of October 2024. In terms of the inflation outlook, the recently implemented GST rate rationalisation would lead to a reduction in prices of several items in the CPI basket. Overall, the inflation outcome is likely to be softer than what was projected in the August MPC resolution, primarily on account of the GST rate cuts and benign food prices. Considering all these factors, CPI inflation for 2025-26 is now projected at 2.6%.

Chart 11: Quarterly GDP Projection and Inflation Projection (yoy)



Source: RBI Monetary Policy

Table 3: RBI GDP and CPI projections

RBI Projections	Policy	Q3FY26	Q4FY26	FY2025-26	Q1FY27
Real GDP	Oct	6.4%	6.2%	6.8% ↑	6.4% ↓
	Aug	6.6%	6.3%	6.5%	6.6%
	June	6.6%	6.3%	6.5%	-
CPI	Oct	1.8%	4.0%	2.6% ↓	4.5% ↓
	Aug	3.1%	4.4%	3.1%	4.9%
	June	3.9%	4.4%	3.7%	-

Source: RBI Monetary Policy

RBI's Additional Policy Measures – October 2025

In its October 2025 monetary policy, the Reserve Bank of India (RBI) announced a comprehensive package of additional measures aimed at strengthening the banking sector, improving credit flow, simplifying regulations, and promoting the internationalisation of the Indian rupee.

1. Strengthening Banking Sector Resilience and Competitiveness

To enhance the soundness and global alignment of the Indian banking system, the RBI proposed the implementation of the **Expected Credit Loss (ECL)** framework for all Scheduled Commercial Banks (excluding SFBs, PBs, and RRBs) and All India Financial Institutions (AIFIs) from **April 1, 2027**, with a transition period until **March 2031**. This move aims to ensure forward-looking provisioning and smoother adoption.

Additionally, the **revised Basel III capital adequacy norms** will also take effect from **April 2027**, incorporating a new **Standardised Approach for Credit Risk** that is expected to lower capital requirements for MSME and residential real estate exposures. Capital requirements for operational risk have already been finalised, and those for market risk are in the final stage of consultation. Together, these reforms will strengthen the capital framework while aligning it with international best practices.

The RBI will also issue final guidelines on **Forms of Business and Prudential Regulation for Investments**, removing earlier restrictions on business overlaps within bank groups and giving greater strategic flexibility to bank boards. Furthermore, a **risk-based deposit insurance premium** framework will replace the current flat-rate system, incentivising sound risk management and rewarding financially robust banks with lower premiums.

2. Improving the Flow of Credit

To enhance credit access and support investment activity, the RBI announced several measures:

- **Facilitating Corporate Acquisitions:** An enabling framework will be introduced allowing Indian banks to finance domestic corporate acquisitions, expanding capital market lending scope.
- **Easing Lending Norms:** The regulatory ceiling on lending against listed debt securities will be removed, while limits for lending against shares will rise from ₹20 lakh to ₹1 crore, and IPO financing limits will increase from ₹10 lakh to ₹25 lakh per person.
- **Encouraging Large Borrower Financing:** The 2016 framework that penalized banks for lending to large borrowers (with system-wide exposure above ₹10,000 crore) will be withdrawn, as system-level risks are now managed through the Large Exposure Framework and other macroprudential tools.
- **Lowering Infrastructure Financing Costs:** Risk weights for NBFC lending to operational, high-quality infrastructure projects will be reduced to improve funding efficiency.

- **Reviving Urban Co-operative Bank Licensing:** After a two-decade pause, the RBI will release a discussion paper on licensing new Urban Co-operative Banks (UCBs), reflecting improved sectoral health and stakeholder demand.

Economic Update

India's current account deficit moderated to USD 2.4bn (0.2% of GDP) in Q1 2025–26, compared with USD 8.6bn (0.9% of GDP) in the same quarter of the previous year. This improvement was primarily supported by a higher net services surplus and strong remittance inflows, which offset the impact of a wider merchandise trade deficit. During July–August 2025, the merchandise trade deficit remained elevated. However, despite persistent global trade uncertainties, India's services exports—led by software and business services—continued to record strong growth. The sustained momentum in services exports, along with healthy remittance receipts, is expected to keep the current account deficit (CAD) at a manageable level through 2025–26.

On the external financing front, net foreign direct investment (FDI) touched a 38-month high in July 2025, supported by higher gross FDI inflows and a moderation in repatriation and outward investments. In contrast, net foreign portfolio investment (FPI) registered outflows of USD 3.9bn so far in 2025–26 (April 1–September 29) due to withdrawals across both equity and debt segments. As of September 26, 2025, India's foreign exchange reserves stood at USD 700.2bn, sufficient to cover more than 11 months of merchandise imports. Overall, India's external sector remains resilient, with adequate buffers to comfortably meet its external financing needs.

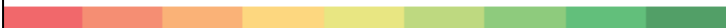
On the liquidity front, the RBI have remained nimble and agile in its liquidity management operations and ensured sufficient liquidity in the banking system to support transmission to money and credit markets. Liquidity has remained in surplus since the end of March 2025 and is expected to remain comfortable till January 2026 aided by drawdown of government cash balance and infusion of ~INR 2tn by the remaining 75 bps of CRR cuts.

RBI's liquidity measures since January 2025

Period	Liquidity Measures	Amount Injected (in ₹ crore)
Q4:2024-25	a. OMO purchases (6)	2,44,561
	b. Term VRRs (3)	1,82,964
	c. Forex Swaps (3)	2,19,245*
April 2025	a. OMO purchases (5)	1,20,000
	b. Term VRR (1)	25,731
May 2025	a. OMO purchases (4)	1,19,203
Total		9,11,704*


Note: Figures in parentheses denote number of auctions.
 *: Indicates approximate value.
 Source: RBI.

Table 4: High Frequency indicator – Industry Growth

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
IIP-Headline	0.0	3.2	3.7	5.0	3.7	5.2	2.7	3.9	2.6	1.9	1.5	3.5	
IIP Manufacturing	1.2	4.0	4.4	5.5	3.7	5.8	2.8	4.0	3.1	3.2	3.7	5.4	
IIP capital goods	0.0	3.5	2.9	8.9	10.5	10.2	8.2	3.6	14.0	13.3	3.0	5.0	
PMI Manufacturing	57.5	56.5	57.5	56.5	56.4	57.7	56.3	58.1	58.2	57.6	58.4	59.1	59.3
PMI Export Order	54.4	52.9	53.6	54.6	54.7	58.6	56.3	54.9	57.6	56.9	60.6	57.3	56.1
PMI Manufacturing: Future Output	62.1	61.6	62.1	65.5	62.5	65.1	64.9	64.4	64.6	63.1	62.2	57.6	60.5
Eight Core Index	-1.5	2.4	3.8	5.8	5.1	5.1	3.4	4.5	1.0	1.2	2.2	3.7	6.3
Electricity generation: Conventional	-3.8	-1.3	0.5	2.7	4.5	-1.3	2.4	4.8	-1.8	-8.2	-6.1	-0.8	1.0
Electricity generation: Renewable	-3.7	12.5	14.9	19.0	17.9	31.9	12.2	25.2	28.0	18.2	28.7	26.4	
Automobile Production	4.4	10.1	10.0	8.0	1.3	9.4	2.3	6.5	-1.7	5.2	1.2	10.7	8.1
Passenger vehicle production	0.7	-3.4	-4.0	6.5	9.2	3.7	4.5	11.2	10.8	5.4	-1.8	0.1	-4.1
Tractor production	-1.0	2.7	0.4	24.7	20.9	23.7	-7.8	18.5	20.5	9.1	9.8	11.5	9.4
Two-wheelers production	4.9	12.9	13.3	8.8	-0.6	10.3	1.6	5.6	-4.1	4.7	1.4	12.3	10.0
Three-wheelers production	9.0	3.9	-6.7	-5.5	7.6	16.2	6.5	6.0	4.1	16.9	8.6	24.0	15.8
Crude steel production	3.9	0.3	4.2	4.5	8.3	7.4	6.0	8.5	9.3	11.0	12.6	14.0	11.1
Finished steel production	3.0	0.7	4.0	2.8	5.3	6.7	6.7	10.0	6.6	7.0	10.9	13.8	13.0
Import of capital goods	12.3	10.9	7.0	4.7	6.1	15.5	-0.5	8.6	21.5	14.3	2.6	12.2	
 <<Contraction ----- Expansion>>													

Notes: 1. The y-o-y growth (in %) has been calculated for all indicators (except for PMI). 2. The heatmap translates the data range for each indicator into a colour gradient scheme with red denoting the lowest values and green corresponding to the highest values of the respective data series. 3. The heatmap is applied on data from April 2023 till August 2025, other than for electricity generation: renewable, where the data are till June 2025. 4. All PMI values are reported in index form. A PMI value >50 denotes expansion.

Table 5: High Frequency indicator – Economic activity

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
GST E-way bills	12.9	18.5	16.9	16.3	17.6	23.1	14.7	20.2	23.4	18.9	19.3	25.8	22.4
GST revenue	10.0	6.5	8.9	8.5	7.3	12.3	9.1	9.9	12.6	16.4	6.2	7.5	6.5
Toll collection	6.8	6.5	7.9	11.9	9.8	14.8	18.7	11.9	16.6	16.4	15.5	14.8	12.7
Electricity demand	-5.0	-0.8	-0.4	3.7	5.1	1.3	2.4	5.7	2.8	-4.8	-2.3	2.6	3.9
Petroleum consumption	-3.1	-4.4	4.1	10.6	2.0	3.0	-5.2	-3.1	0.2	0.7	0.5	-3.9	2.6
Of which Petrol	8.6	3.0	8.7	9.6	11.1	6.7	5.0	5.7	5.0	9.2	6.8	5.9	5.5
Diesel	-2.5	-1.9	0.1	8.5	5.9	4.2	-1.3	0.9	4.2	2.1	1.5	2.4	1.2
Aviation turbine fuel	8.1	10.4	9.4	8.5	8.7	9.4	4.2	5.7	3.9	4.3	3.3	-2.3	-2.9
Digital Payments - volume	34.9	36.3	40.3	30.1	33.1	33.0	26.7	30.8	30.0	29.2	28.3	30.9	28.8
Digital Payments - value	16.7	21.5	27.5	9.5	19.6	18.6	9.5	17.3	18.4	12.6	17.4	16.6	5.6
 <<Contraction ----- Expansion>>													

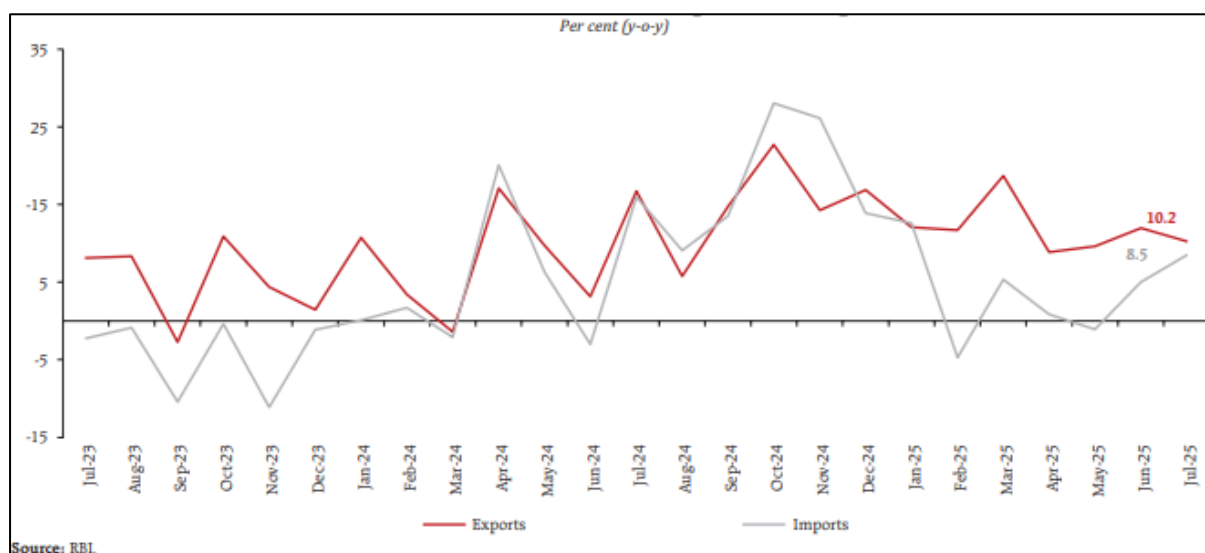
Notes: 1. The y-o-y growth (in %) has been calculated for all indicators. 2. The heatmap is applied on data from April 2023 till August 2025. Digital Payments data for August 2025 is provisional. 3. The heatmap translates the data range for each indicator into a colour gradient scheme with red denoting the lowest values and green corresponding to the highest values of the respective data series. Sources: Goods and Services Tax Network (GSTN); RBI; Central Electricity Authority (CEA); and Ministry of Petroleum and Natural Gas, GoI.

Table 6: High Frequency indicator – Urban and Rural Demand growth rate

		Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Urban demand	Domestic air passenger traffic	6.7	7.4	9.6	13.8	10.8	14.1	12.1	9.9	9.7	2.6	3.7	-2.5	-1.1
	Retail passenger vehicle sales	-4.5	-18.8	32.4	-13.7	-2.0	15.5	-10.3	6.3	1.6	-3.1	2.5	-0.8	0.9
Rural demand	Retail automobile sales	2.9	-9.3	32.1	11.2	-12.5	6.6	-7.2	-0.7	2.9	5.4	4.8	-4.3	2.8
	Retail tractor sales	-11.4	14.7	3.1	29.9	25.8	5.2	-14.5	-5.7	7.6	2.8	8.7	11.0	30.1
	Retail Two-wheeler sales	6.3	-8.5	36.3	15.8	-17.6	4.2	-6.3	-1.8	2.3	7.3	4.7	-6.5	2.2
	MGNREGA: work demand	-16.0	-13.4	-7.6	3.9	8.2	14.4	2.8	2.2	-6.5	4.4	4.4	-12.3	-26.1
		<div> <div style="width: 100%; height: 10px; background: linear-gradient(to right, red, orange, yellow, green);"></div> <div><< Contraction ————— Expansion >></div> </div>												

Notes: 1. The y-o-y growth (in %) has been calculated for all indicators. 2. The heatmap is applied on data from April 2023 till August 2025. 3. The heatmap translates the data range for each indicator into a colour gradient scheme with red denoting the lowest values and green corresponding to the highest values of the respective data series. 4. The data on domestic air passenger traffic for August 2025 growth rate is calculated by aggregating daily data. Sources: Airports Authority of India; Federation of Automobile Dealers Associations (FADA); and Ministry of Rural Development, Gol.

Chart 12: Import, Export growth



Source: RBI monthly bulletin

Chart 13: Inflation

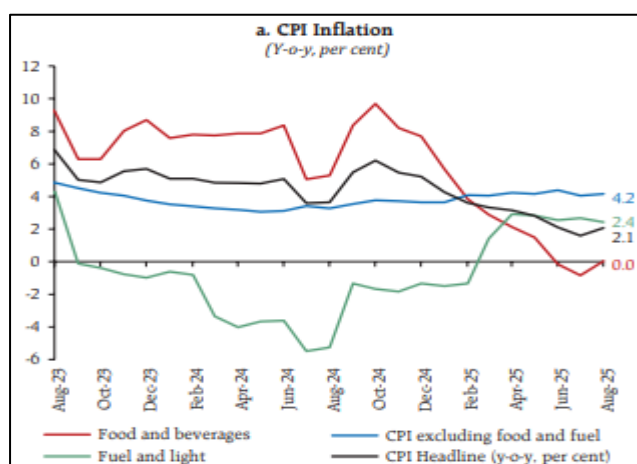
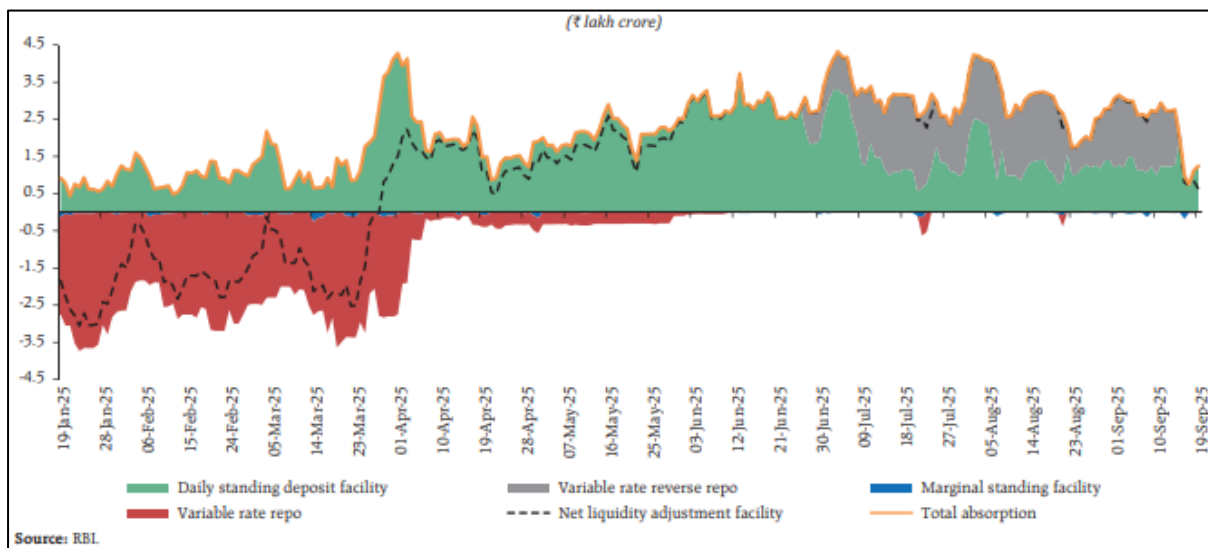


Chart 14: Liquidity Operations



Source: RBI Bulletin

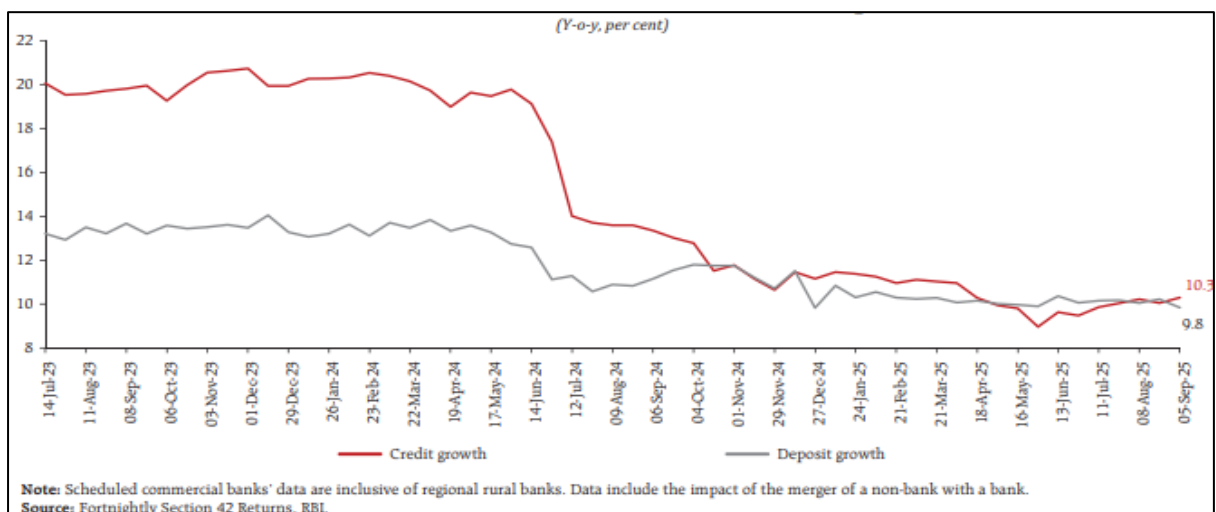
Foreign exchange reserves As on September 12, 2025, India's foreign exchange reserves stood at US\$ 703bn, sufficient to cover more than 11 months of merchandise imports

Trends of Scheduled Commercial Banks

In last five years, between 2019-20 to 2024-25, the bank credit growth has been averaging around 10.5%. It is also seen that the share of retail credit has grown to 33% while the share of credit to Micro, Small & Medium Enterprises (MSME) sector has been growing steadily, forming 18% of total bank credit as of March 2025.

For Scheduled Commercial Banks, Credit growth was 10.3% (y-o-y) as on September 5, 2025 [10.2% (y-o-y) a month ago]. Deposit growth was 9.8% (y-o-y) as on September 5, 2025 [10% (y-o-y) a month ago]

Chart 15: Credit and Deposit growth of SCBs



Source: RBI

India Equities: Macroeconomic Context and Market Performance

Indian equities have experienced a volatile year, with a sharp correction toward the end of 2024 and subdued performance in early 2025 due to weak corporate earnings and global trade uncertainties, including U.S. tariffs. Despite these headwinds, India's strong policy push to revive domestic growth, along with easing inflationary pressures, underpins a constructive medium-term outlook.

Over the past 12 months, equity markets have largely traded sideways, with valuations remaining elevated - driven more by multiple expansion than earnings growth. While this necessitates selectivity, India's robust macro fundamentals, policy continuity, and relative growth advantage continue to attract global capital. Geopolitical tensions and trade uncertainties may keep volatility elevated in the near term, but structural growth themes, including localization, supply-chain resilience, and secular demand trends, are likely to mitigate the impact of external shocks.

Policy Reforms Driving Growth

The government's **GST reforms**, approved by the GST Council and effective **September 22, 2025**, represent the most significant overhaul of the indirect tax system in eight years. The reforms replace the four-tier structure with a simplified **two-rate framework**—5% and 18%—while maintaining a 40% rate for luxury and sin goods. Essential items are taxed at 5% or exempt, aspirational products such as premium food, beverages, and electronics are at 18%, and luxury goods such as alcohol and tobacco remain at 40%.

This reform complements broader pro-growth measures, including cumulative **repo rate cuts of 100 bps** and a **150bps reduction in CRR** earlier in 2025. Simplified compliance, reduction in inverted duty structures, and improved input tax credit flows are expected to ease liquidity constraints, particularly for MSMEs. While fiscal costs are anticipated, prudent budget management and revenue offsets should maintain overall fiscal discipline.

The new **GST framework** is designed to boost consumption by lowering effective prices, thereby enabling households to allocate more toward discretionary spending or savings. Coupled with fiscal and monetary support, these measures are likely to underpin a **demand-led recovery in 2026**.

RBI Policy Measures

In October 2025, the **Reserve Bank of India (RBI)** introduced targeted measures to support banking sector resilience and credit availability. Key initiatives include:

- Strengthening bank capital frameworks through **ECL adoption** and revised **Basel III norms**, aligning with global standards while easing capital requirements for MSME and residential real estate exposures.
- Improving credit flow via relaxed lending limits for corporate financing, loans against shares, and IPO financing.
- Reducing financing costs for high-quality infrastructure projects and considering new **Urban Co-operative Bank licenses** to expand financial inclusion.

These measures are expected to **enhance liquidity, support investment activity, and bolster private sector growth**, reinforcing the overall macroeconomic recovery trajectory.

Earnings and Market Outlook

The **Q1 FY26 earnings season** was mixed, with the pace of downgrades moderating, suggesting the earnings cycle may have bottomed. **Nifty-50 EPS growth** is projected at **10–12% in FY26**, supported by improving macro fundamentals and policy stimulus. Corporate earnings are expected to gain further traction as inflation eases and consumption strengthens.

Key drivers underpinning a constructive equity outlook include:

1. Implementation of **GST reforms**, simplifying tax structures and supporting consumption growth.
2. **Robust earnings growth**, with 12%+ CAGR expected over FY26–27.
3. A **Union Budget** that balances fiscal prudence with sustained infrastructure and capex momentum.
4. The **RBI's accommodative stance**, maintaining liquidity support amid contained inflation.
5. Additional support from a **decline in crude oil prices**, improving fiscal and external balances.

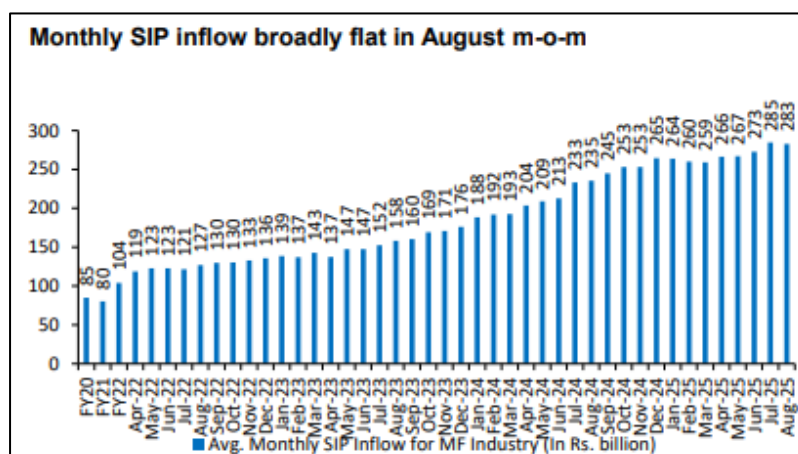
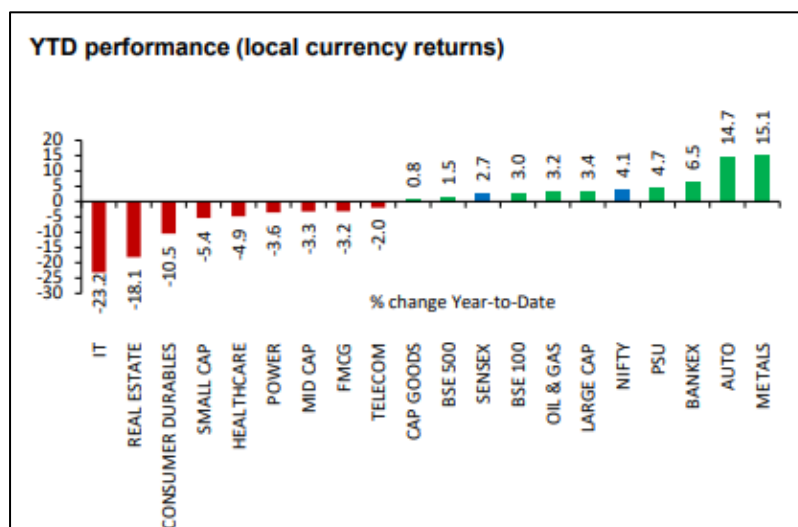
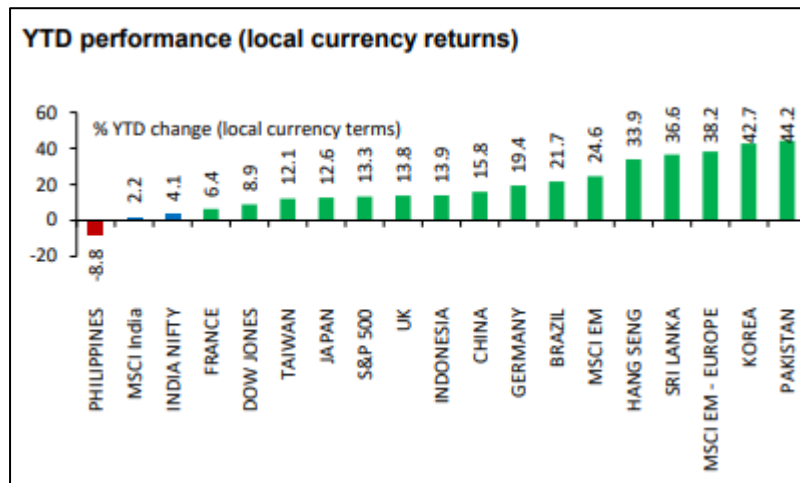
While short-term volatility may persist due to global uncertainties, India's improving growth trajectory, policy tailwinds, and structural reforms provide a strong foundation for **sustained equity market gains from H2 FY26 onwards**. Selective positioning in financials, manufacturing, infrastructure, and consumption sectors is recommended, as these areas are poised to benefit most from policy and demand dynamics.

Investor action plan

1. **Buy the Dips:** Take advantage of market corrections of 5% or more as attractive entry points to accumulate quality large- and mid-cap stocks, maintaining focus on long-term growth potential.
2. **Focus on Structural Themes:** Prioritize investments in sectors and companies benefiting from GST reforms, localization, supply-chain resilience, and secular demand trends to navigate geopolitical and trade uncertainties.
3. **Exercise Patience with Export-Oriented Sectors:** Wait for significant corrections (10%+) or clear improvements in trade agreements and global conditions before adding export-focused stocks, which have strong turnaround potential over the coming years.

Trends in Indian Equity Market

Charts 16-17-18: Global and Domestic markets performance, domestic sectors performance and domestic SIP flows



Source: AMFI, NSE India, SBI MF, BSE

Chart 19: Nifty EPS trend

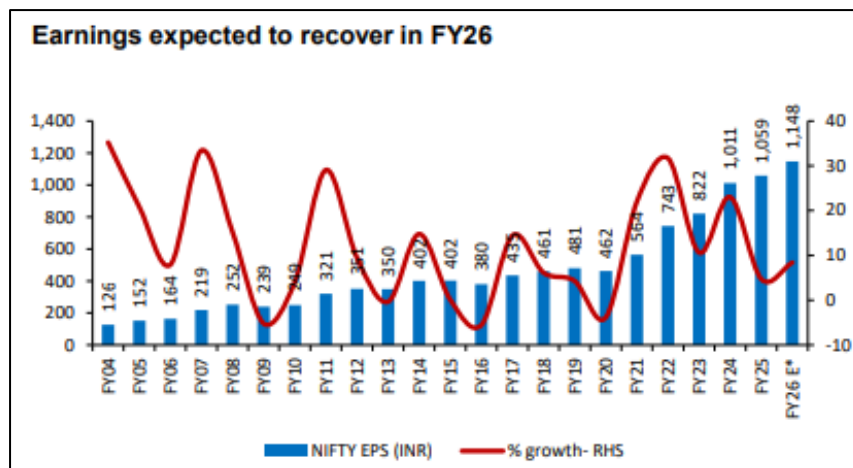


Chart 20: Nifty Q1 FY26 Sales

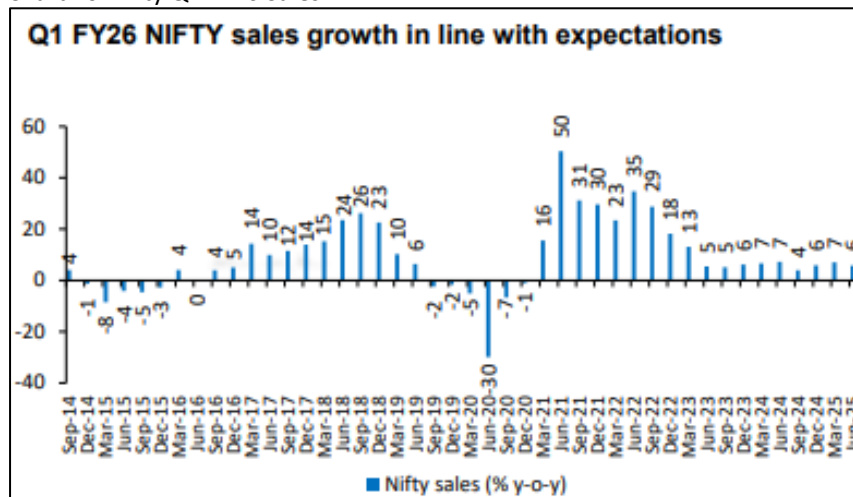
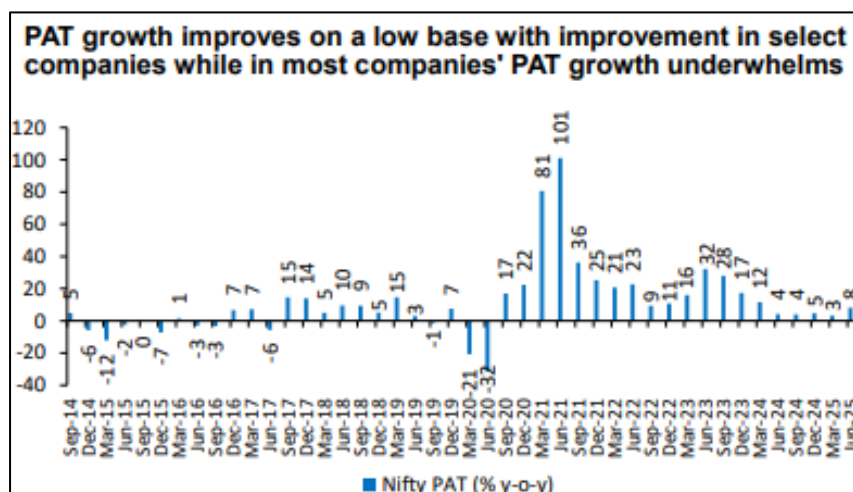


Chart 21: Nifty Q1 FY26 PAT



Source: MOSL, SBIFM Research; NB: Results released for 31 NIFTY companies for June 2025 quarter, historical data is for all the NIFTY 50 companies, EPS growth is adjusted for Axis bank losses for FY23

Chart 22: FII trends

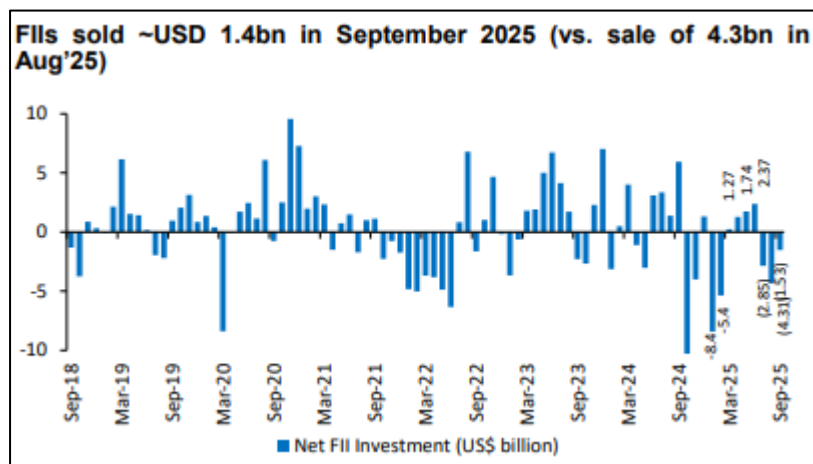


Chart 23: DII trends

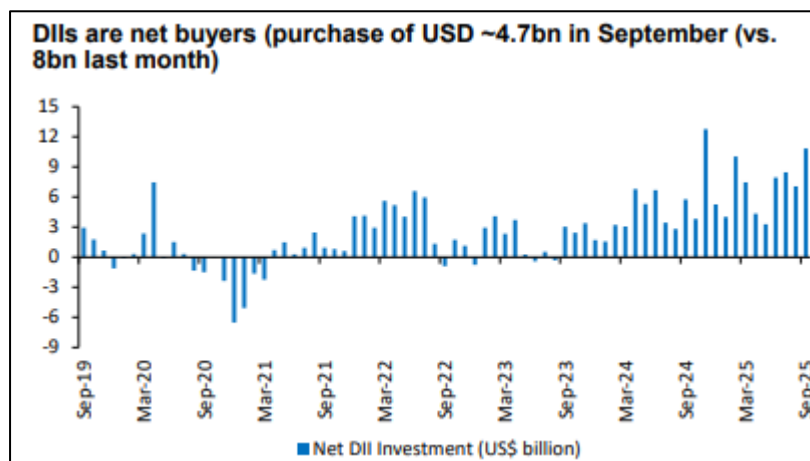
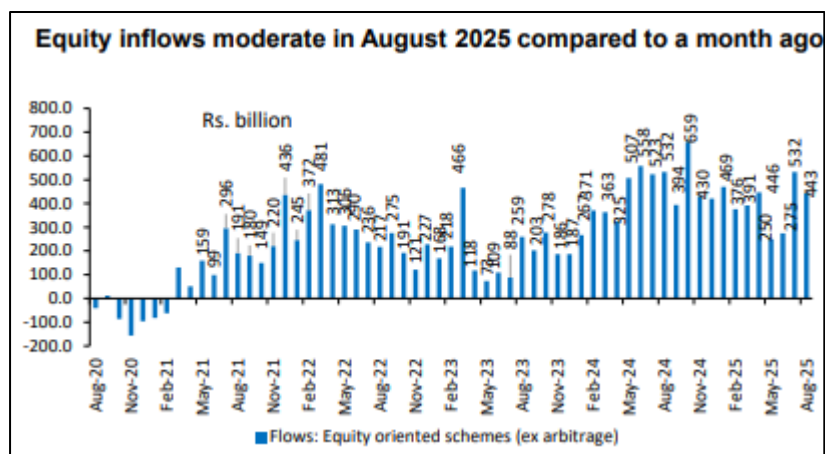


Chart 24: Domestic Equity MF flows



Source of charts on this page: Bloomberg, SBIMF, AMFI

India Bonds: Larger part of interest rate reduction is behind us

In the latest Monetary policy, the RBI after a detailed assessment of the evolving macroeconomic and financial developments and the outlook, decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 5.5%; consequently, the standing deposit facility (SDF) rate remains at 5.25% while the marginal standing facility (MSF) rate and the Bank Rate remains at 5.75%. The MPC also decided to continue with the neutral stance.

Indian bond markets, especially at the short to medium end of the curve up to 4–5-year maturities, had witnessed a sharp rally (except for last couple of months). This move has been driven by a combination of cooling inflation, front loading of rate cuts by RBI, and the infusion of liquidity into the financial system. The interplay of these factors has created a supportive backdrop for bonds, though the market now finds itself in a situation where positives and challenges are almost evenly balanced.

On the positive side, the RBI still has ample room to maneuver with further rate cuts if conditions require, providing a strong cushion for the market. Consumer price inflation is projected to remain comfortably below the 4% mark for the remainder of the year, which further strengthens the case for an accommodative stance. Importantly, despite a minor rise in the fiscal deficit on account of GST reforms, there is likely to be no change to the government's borrowing calendar, not adding to supply-side pressures on the bond market. Adding to this supportive environment, the U.S. Federal Reserve is expected to resume rate cuts as global economic uncertainty deepens, which could ease external pressures and improve sentiment toward Indian fixed income.

On the other hand, there are equally significant challenges that cannot be ignored. The government's tax revenues are likely to come under strain, with direct tax collections already running below projections and targets for income tax growth looking difficult to achieve based on year-to-date data. The recent GST reforms, while positive for consumption and economic efficiency in the long term, are expected to result in lower near-term GST collections, further weighing on the fiscal position. In addition, the income tax reductions announced in the Union Budget of February 2024 will constrain the government's ability to shore up revenues. Finally, while the reforms are likely to spur higher consumption demand, this very increase could over time translate into renewed inflationary pressures, partly offsetting the current disinflationary benefits.

Looking ahead, the bond market will likely remain in a tug-of-war between these supportive and challenging forces. In the near term, the short end of the curve should continue to benefit from the RBI's accommodative stance, subdued inflation, and a stable borrowing calendar, making it relatively attractive for investors seeking carry and lower duration risk. However, as the year progresses, fiscal slippages from weaker tax collections and the possibility of consumption-driven inflation may limit the extent of further easing and could introduce volatility. The medium-to-long end of the curve may face greater uncertainty due to these risks, while the short end remains better anchored. Investors may therefore find opportunities in maintaining exposure at the front end of the curve, while keeping a cautious watch on evolving fiscal dynamics and inflation trends.

Given the environment, we now prefer short dated bonds and funds with modified duration of less than 3 years. We prefer over weight allocation to AAA, AA+ rated bonds over high-risk credits.

Post the Monetary policy outcome (October 2025), it is important for investors to expect lower fixed income returns going ahead as yields have rallied a lot over the last 1 year and large part of the rate cut cycle is behind us. We re-iterate to reduce duration of the bond portfolio and consider adding hybrid products offered by mutual funds over pure fixed income play to take advantage of tax benefits offered by such products. Investors are advised to consider their risk profile and appetite before considering such hybrid products.

Table 7: Yield movement

	2023 end	2024 end	Jul-25	Aug-25	Sep-25	m-o-m (in bps)	YTD change (in bps)
Repo rate	6.50	6.50	5.50	5.50	5.50	0	-100
1 Yr T-Bill	7.13	6.69	5.57	5.64	5.61	-3	-108
3M T-Bill	6.93	6.55	5.40	5.51	5.47	-3	-107
3 year GSec	7.07	6.73	5.61	5.62	5.67	4	-106
5 year GSec	7.09	6.72	5.87	6.02	5.88	-13	-83
10 year GSec	7.18	6.79	6.38	6.60	6.57	-3	-22
3 Yr Corp Bond*	7.78	7.58	6.69	7.02	6.85	-17	-72
5 Yr Corp Bond*	7.79	7.46	6.81	7.09	6.91	-18	-55
10 Yr Corp Bond*	7.76	7.24	7.19	7.39	7.28	-12	4
1 Yr IRS	6.64	6.51	5.51	5.52	5.45	-7	-106
5 Yr IRS	6.19	6.20	5.72	5.78	5.74	-5	-47
Overnight MIBOR Rate	6.90	7.15	5.54	5.54	5.74	20	-141
10 year SDL	7.65	7.15	7.06	7.41	7.26	-15	11
INR/USD	83.21	85.61	87.60	88.21	88.79	-0.7^	-3.7^
Crude oil Indian Basket**	77.43	73.34	70.95	69.11	69.64	0.8^	-5.0^

Source: SBI MF

Market Data

Table 8: India Index Performance (%) 30 Sep 25	1M	1Y	3Y
Nifty 50	0.8	-3.5	14.2
Nifty Next 50	3.2	-11.2	17.8
Nifty 200	1.2	-4.9	15.7
Nifty 500	1.2	-5.3	16.4
Nifty Midcap 150	1.4	-5.2	22.5
Nifty Smallcap 250	1.2	-8.8	22.7
Nifty Microcap 250	-0.4	-10.6	29.6
Theme/Sector			
Nifty Auto	6.3	-0.9	28.9
Nifty Bank	1.8	3.9	13.2
Nifty CPSE	5.5	-8.8	38.8
Nifty Defence	5.9	18.6	57.9
Nifty FMCG	-2.6	-14.8	9.1
Nifty Infrastructure	1.6	-5.1	22.9
Nifty IT	-4.3	-17.9	9.8
Nifty Manufacturing	3.7	-4.7	22.7
Nifty Metals	9.7	-0.7	20.9
Nifty Oil and Gas	4.7	-12.4	14.8
Nifty Pharma	-1.6	-7.2	19.1

Source: NSE India, StatLane Research, Index = Total Return Index, Performance over 1 year is Compounded Annualised

Table 9: India Smart Beta Index Performance (%) 30 Sep 25	1M	1Y	3Y
Nifty Alpha 50	-0.7	-18.9	18.8
NIFTY Alpha Low-Volatility 30	-0.6	-15.8	16.5
Nifty Low Volatility 50	-1.0	-5.9	17.2
Nifty100 Low Volatility 30	-1.6	-5.9	17.1
Nifty200 Momentum 30	0.7	-20.0	16.9
NIFTY200 Quality 30	-0.2	-11.3	14.1
NIFTY200 Value 30	7.2	-6.4	36.0

Source: NSE India, StatLane Research, Index = Total Return Index, Performance over 1 year is Compounded Annualised

Table 10: India Valuation Metric **P/E 30 Sep 25**

Index Name	P/E
Nifty 50	21.8
Nifty Next 50	20.7
Nifty 200	23.0
Nifty 500	23.8
Nifty Midcap 150	32.8
Nifty Smallcap 250	30.0
Nifty Microcap 250	28.3
Nifty Auto	27.5
Nifty Bank	15.1
Nifty Financial Services	17.1
Nifty FMCG	40.5
Nifty IT	24.3
Nifty Metal	19.2
Nifty MNC	35.8
Nifty Pharma	33.1
Nifty PSU Bank	7.8
Nifty Realty	42.5
Nifty India Consumption	41.0
Nifty Commodities	17.3
Nifty Infrastructure	21.7
Nifty PSE	11.9
Nifty Private Bank	17.7
Nifty Oil & Gas	12.0

Source: NSE India, StatLane Research

Table 11: India Smart Beta Valuation Metric **P/E 30 Sep 25**

Nifty Alpha 50	40.3
NIFTY Alpha Low-Volatility 30	32.2
Nifty Low Volatility 50	32.2
Nifty100 Low Volatility 30	28.1
Nifty200 Momentum 30	37.9
NIFTY200 Quality 30	27.9
NIFTY200 Value 30	9.5

Source: NSE India, StatLane Research

Table 12: Global Index Performance (%) 30 Sep 25	1M	QTD	YTD
S&P 500	3.7	8.1	14.8
Dow Jones Industrial Average	1.9	5.2	9.1
S&P Developed Ex US BMI	1.9	5.5	26.9
S&P Europe 350	2.0	3.5	28.2
S&P Asia 50	12.2	17.7	39.7
S&P EM BMI	4.8	9.2	21.7

Note 1: Source: S&P Dow Jones Indices LLC and/or its affiliates. 2 Index performance based on total return (USD)

Table 13: Global Smart Beta Index Perf (%) 30 Sep 25	1M	QTD	YTD
S&P 500 Momentum	4.2	7.9	28.4
S&P 500 Equal Weight	1.1	4.8	9.9
S&P 500 Growth	5.3	9.8	19.5
S&P 500 Value	1.8	6.2	9.7
S&P 500 Low Volatility	0.2	1.5	6.7

Note 1: Source: S&P Dow Jones Indices LLC and/or its affiliates. 2 Index performance based on total return (USD)

Table 14: India Fixed Income Yield %	30 Sep 25	31 Aug 2025
Repo	5.50	5.50
1 Year CD	6.33	6.35
10 Year GOI	6.60	6.67
5 Year PSU	6.77	7.06
1 Year NBFC	6.82	6.69
3 Year NBFC	7.06	7.18
US 10 Year Treasury	4.14	4.22

Source: StatLane Research

Table 15: India Fixed Income Indices	Index Return %			
As of 30 September 2025	Yield (%)	MD (Yrs)	1M	1Y
Nifty 5Y SDL Index	6.88	4.10	0.42	7.08
Nifty 10Y SDL Index	7.43	7.05	-1.02	1.34
NIFTY 10 yr Benchmark G-Sec	6.68	7.13	0.68	7.29
NIFTY Corporate Bond Index	7.18	2.34	0.56	7.93
NIFTY Banking and PSU Debt Index	6.74	2.68	0.46	7.94
NIFTY Low Duration Debt Index	6.56	0.64	0.50	7.68
NIFTY Short Duration Debt Index	6.64	1.68	0.57	8.01
NIFTY Credit Risk Bond Index	8.71	1.94	0.53	8.12
NIFTY Long Duration Debt Index	7.21	8.51	0.68	3.81
NIFTY Short Duration G-Sec Index	5.92	2.12	0.67	8.03
NIFTY Long Duration G-Sec Index	7.15	10.64	1.62	3.21

Source: NSE India, StatLane Research, MD=Macaulay Duration

Table 16: Commodities	30 Sep 25	31 Aug 2025
Oil (Brent \$)	67.4	67.2
Gold (\$)	3863	3408

Source: StatLane Research

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