

EBONY RESEARCH — MONTHLY MARKET UPDATE
OCTOBER 2025

Markets can remain irrational longer than you can remain solvent

John Maynard Keynes

Global Overview

The global economy is adjusting to a landscape reshaped by new policy measures. Some extremes of higher tariffs were tempered, thanks to subsequent deals and resets. But the overall environment remains volatile, and temporary factors that supported activity in the first half of 2025—such as front-loading—are fading.

As a result, global growth projections in the latest World Economic Outlook (WEO) are revised upward relative to the April 2025 WEO but continue to mark a downward revision relative to the pre-policy-shift forecasts. Global growth is projected to slow from 3.3 percent in 2024 to 3.2 percent in 2025 and 3.1 percent in 2026, with advanced economies growing around 1.5 percent and emerging market and developing economies just above 4 percent. Inflation is projected to continue to decline globally, though with variation across countries: above target in the United States—with risks tilted to the upside—and subdued elsewhere.

Table 1: World Economic Outlook, growth projections

(Real GDP, annual percent change)	PROJECTIONS		
	2024	2025	2026
World Output	3.3	3.2	3.1
Advanced Economies	1.8	1.6	1.6
United States	2.8	2.0	2.1
Euro Area	0.9	1.2	1.1
Germany	-0.5	0.2	0.9
France	1.1	0.7	0.9
Italy	0.7	0.5	0.8
Spain	3.5	2.9	2.0
Japan	0.1	1.1	0.6
United Kingdom	1.1	1.3	1.3
Canada	1.6	1.2	1.5
Other Advanced Economies	2.3	1.8	2.0
Emerging Market and Developing Economies	4.3	4.2	4.0
Emerging and Developing Asia	5.3	5.2	4.7
China	5.0	4.8	4.2
India	6.5	6.6	6.2
Emerging and Developing Europe	3.5	1.8	2.2
Russia	4.3	0.6	1.0
Latin America and the Caribbean	2.4	2.4	2.3
Brazil	3.4	2.4	1.9
Mexico	1.4	1.0	1.5
Middle East and Central Asia	2.6	3.5	3.8

Source: IMF, World Economic Outlook October 2025

In 2025 so far, global economic activity has remained resilient. High frequency indicators for Q3 2025 point to a tepid manufacturing activity, but services sector remain buoyant. Monetary easing and other policy support in some economies could support global growth during the rest of H2. Trade deals struck during the year so far have lowered trade policy uncertainty but it remains elevated.

Global equities reached all-time highs in October, led by strong momentum in the AI sector in the US, expectations of Fed easing, and positive sentiment around fiscal expansion in Germany. However, a resurgence of the US-China trade spat, concerns over some credit events in the US, and continuing US government shutdown created volatility in risk assets. While the US and China have extended their truce, we'd like to see how effectively this is sustained in the long term.

Chart 1: CPI Inflation YOY

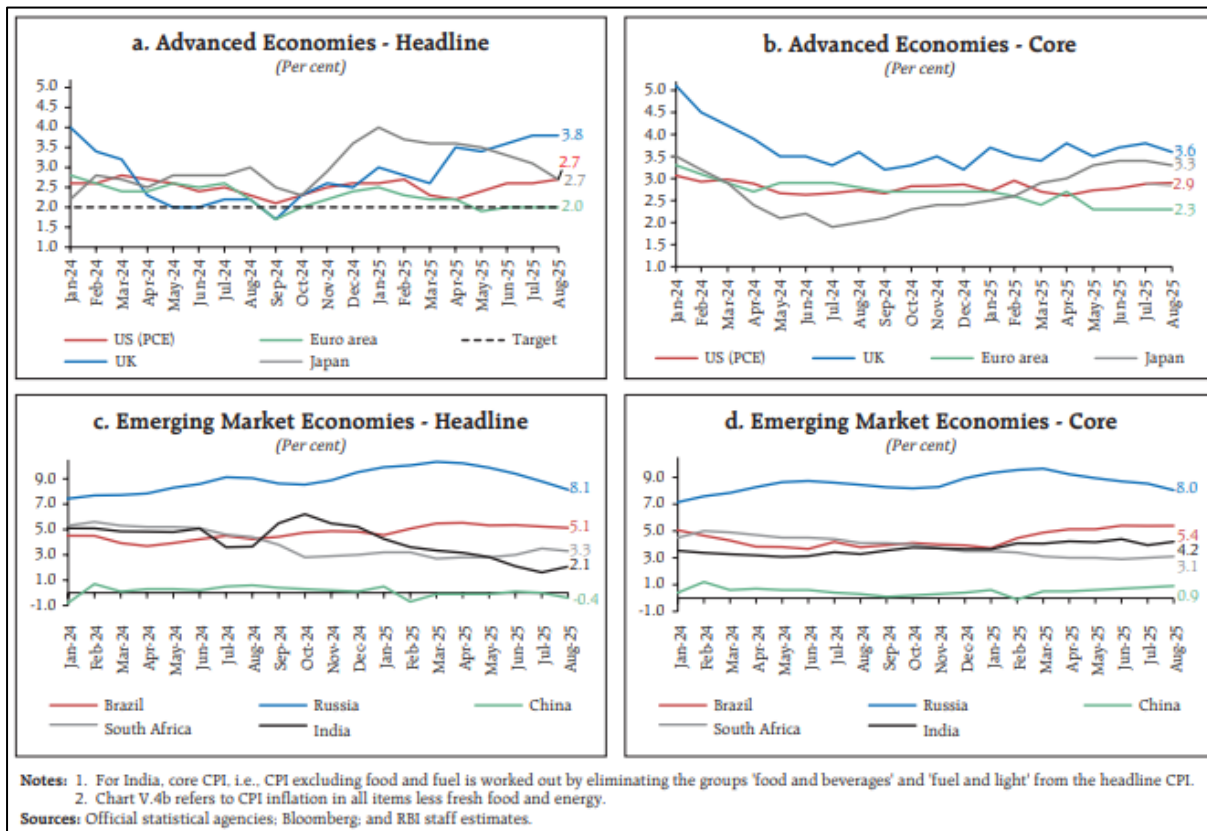
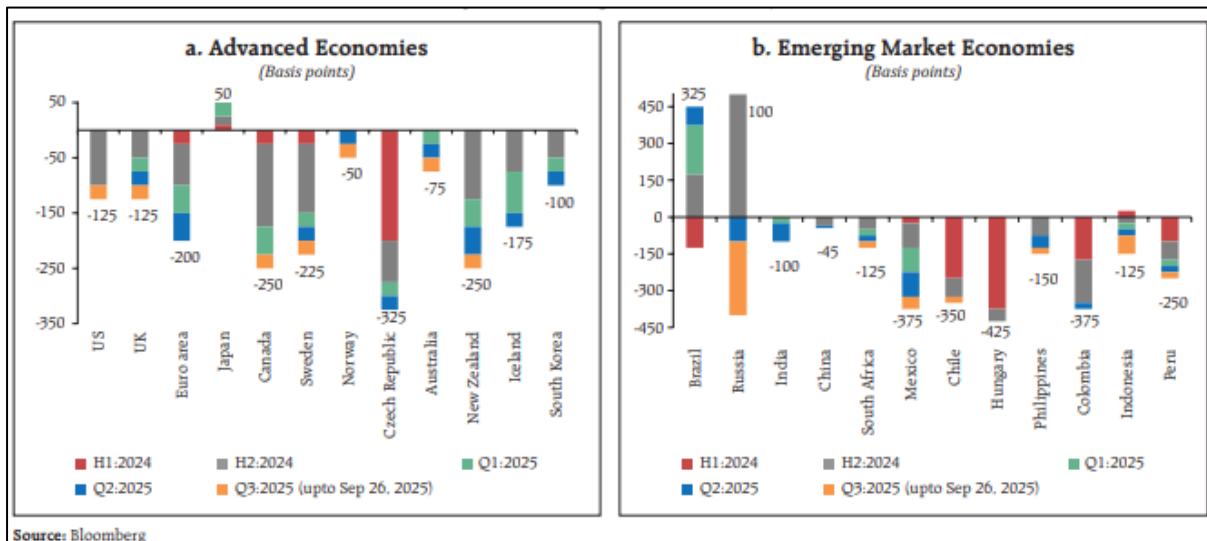


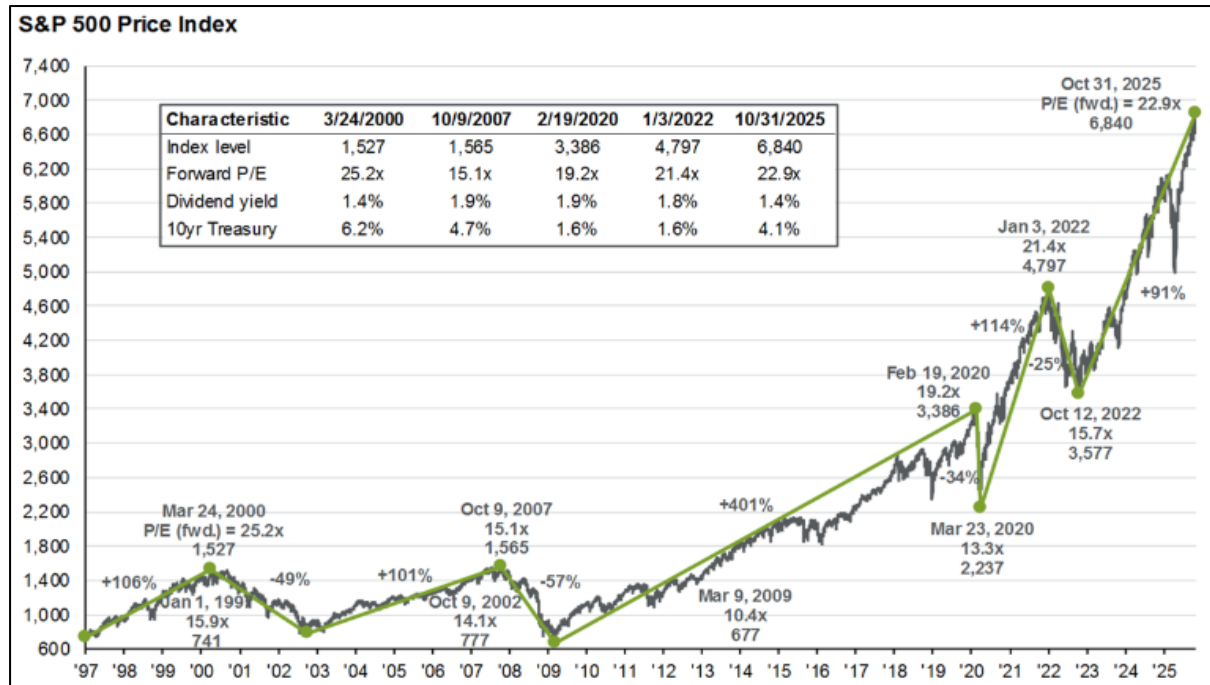
Chart 2: Policy rate changes



U.S. Markets

U.S. Equities

Chart 3: S&P 500 Index Valuation relative to last 30 years



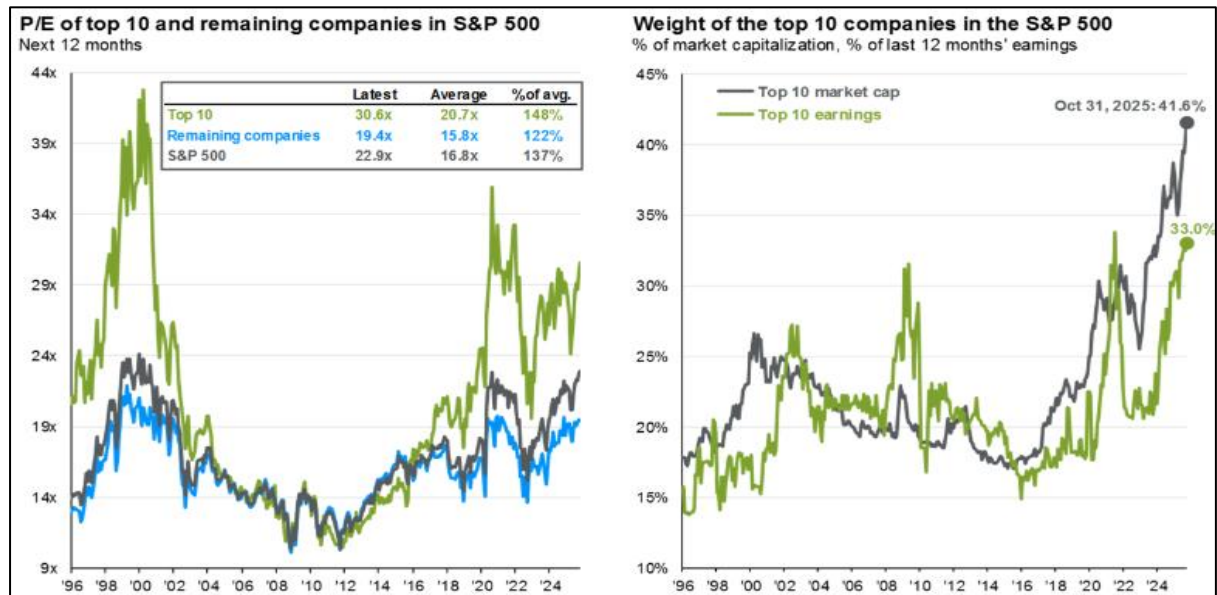
Source: JPMorgan

Chart 4: Global Heat Map

2013	2014	2015	2018	2019	2020	2021	2022	2023	2024	YTD	Oct '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 33.6%	Japan TOPIX 6.2%
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 33.2%	MSCI Asia ex-Japan 4.5%
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%	Japan TOPIX 22.4%	MSCI EM 4.2%
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%	UK FTSE All-Share 20.9%	UK FTSE All-Share 3.7%
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 17.5%	US S&P 500 2.3%
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 15.7%	MSCI Europe ex-UK 2.1%

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 31 October 2025.

Chart 5: S&P 500 Index concentration



Source: JPMorgan

Tariff news continued to be volatile, with significant announcements, though the overall tone appeared to be positive, with the U.S. and individual countries reaching agreements. U.S. consumers, both individual and corporate, have been able to absorb the tariff costs to date.

Equity market sentiments remain strong as corporate earnings set records and are expected to continue to do so at least through Q1 2026 (supported by lower taxes via USD 190bn in corporate tax incentives from Trump's budget bill), as individuals are expected to get an additional USD 150bn in tax refunds in early 2026, which would likely lead to increased spending. Adding to the optimism are employment levels; though expected to slightly decline, they are expected to remain strong overall, with AI productivity gains expected to make up for any loss in the employment base. Interest rates continued to be range bound (the 10 year yield defending the 4% level and short-term rate stable at the 3.8% level), as the FOMC reduced interest rates for the second consecutive month by 0.25% (to 3.75%-4.00%) by a 10-2 vote, as Fed Chair Jerome Powell said a December cut was "not a foregone conclusion," with the Street still expecting another 0.25% cut at the December meeting and beginning to speculate on the start of asset purchases.

For October 2025, the S&P 500 was up 2.27% (3.53% in September, 1.91% in August and 2.17% in July). From the post-tariff-announcement low of 4,982.77 on April 8, 2025, when the index was down 15.28% YTD, the S&P 500 has surged an impressive 37.82%. The S&P 500's market value increased USD 1.29trn for the month to USD 58.33trn and was up USD 8.53trn YTD; it was up USD 9.77trn in 2024, up USD 7.91trn in 2023 and down USD 8.22trn in 2022.

October was a broadly positive month for investors, with both equities and government bonds posting healthy gains. Early geopolitical concerns eased as progress in US-China trade discussions reduced uncertainty, while softer inflation data suggested that the impact of tariffs has, so far, been more limited than expected.

However, renewed optimism has driven US equities back near record highs, and valuations now appear stretched by historical standards. The S&P 500 is trading well above long-term averages on both forward earnings and price-to-book measures, leaving limited room for earnings disappointments or macro setbacks. With profit margins under mild pressure from wage costs and lingering trade frictions, any slowdown in earnings growth or upward move in bond yields could trigger a valuation-led correction.

Against this backdrop, we continue to advocate a diversified approach—looking beyond the concentrated US market toward regions and asset classes offering more balanced risk-reward profiles—while maintaining prudent portfolio protection should inflationary pressures from tariffs or policy shifts resurface.

U.S. Bonds - More easing ahead in 2026 H1; December 2025 cut still in question

As widely anticipated, the Federal Reserve implemented another 0.25% rate cut in the last week of October, extending the easing cycle that began in September 2024 after a pause since the December 2024 meeting. The federal funds rate now stands at a target range of 3.75%–4.00%, marking a total reduction of 1.5% since September last year — 1% in late 2024 and an additional 0.5% so far in 2025. Despite this moderation, policy rates remain well above the pre-pandemic average of around 1.7% (2017–2019), suggesting that monetary conditions, while easing, are still not fully accommodative.

December Rate Cut is Uncertain

We are likely to see more dissent in the FOMC ahead, with a high degree of uncertainty as to the path forward. The two parts of the Fed’s mandate are pulling in opposite directions. Inflation is still above target, which calls for more restrictive monetary policy, while full employment looks in jeopardy, which calls for the opposite. Different participants will weigh these risks differently.

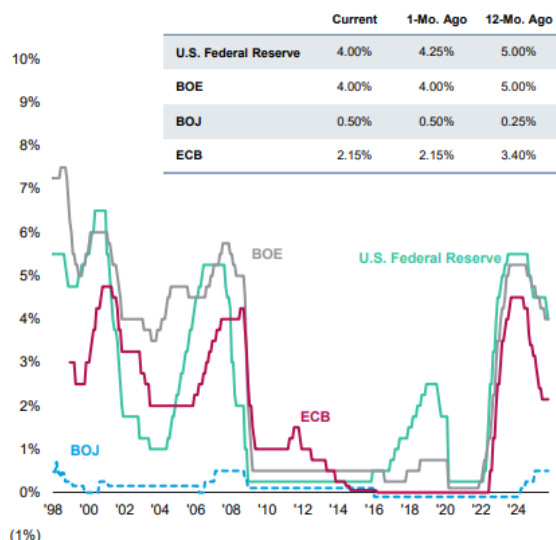
Additionally, the data conflicts on the employment part of the mandate. While employment growth has slowed to a crawl, this conflicts with continued robust GDP growth. As discussed recently by Fed governor (and possible next chair) Christopher Waller, this gap is unlikely to persist indefinitely. Either job growth will eventually re-accelerate with robust GDP growth or the labor market will drag down GDP with it. The latter scenario is persuading the Fed to cut rates.

These two factors will hold even if the US government shutdown is soon resolved. Of course, if the shutdown persists, the uncertainty stemming from a lack of up-to-date data could make the December extraordinary difficult. Powell emphasized today that a cut then is “not a forgone conclusion.” Prior to today, the market-implied probability of a cut in December had been near 90%, but Powell’s remarks helped shift the probability down to around two-thirds. The Fed also announced today that it will cease quantitative tightening (the reduction of its long-term asset portfolio) as of Dec 1.

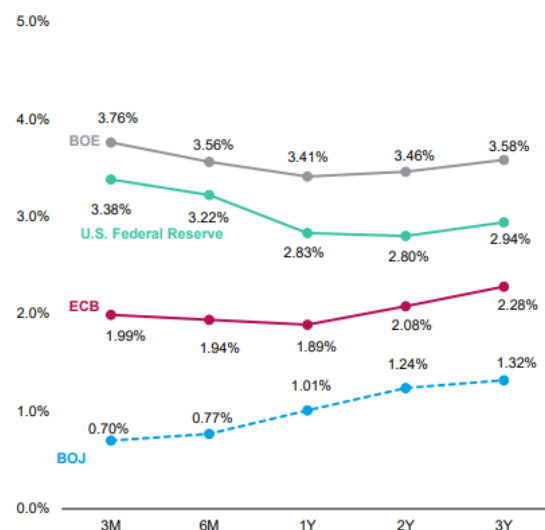
With global slowdown and manageable inflation, we believe U.S. Fed will continue with rate cuts going in to 2026 and the terminal fed rate cut be around 3% and that will be supportive of bond prices despite deficit, high national debt and weakness in USD.

Chart 6: Policy rates and projections

Central Bank Policy Rates



Market Expectations for Future Central Bank Rates



Source: Bloomberg, Factset as of 10/31/25.

Chart 7: Fed Funds rate

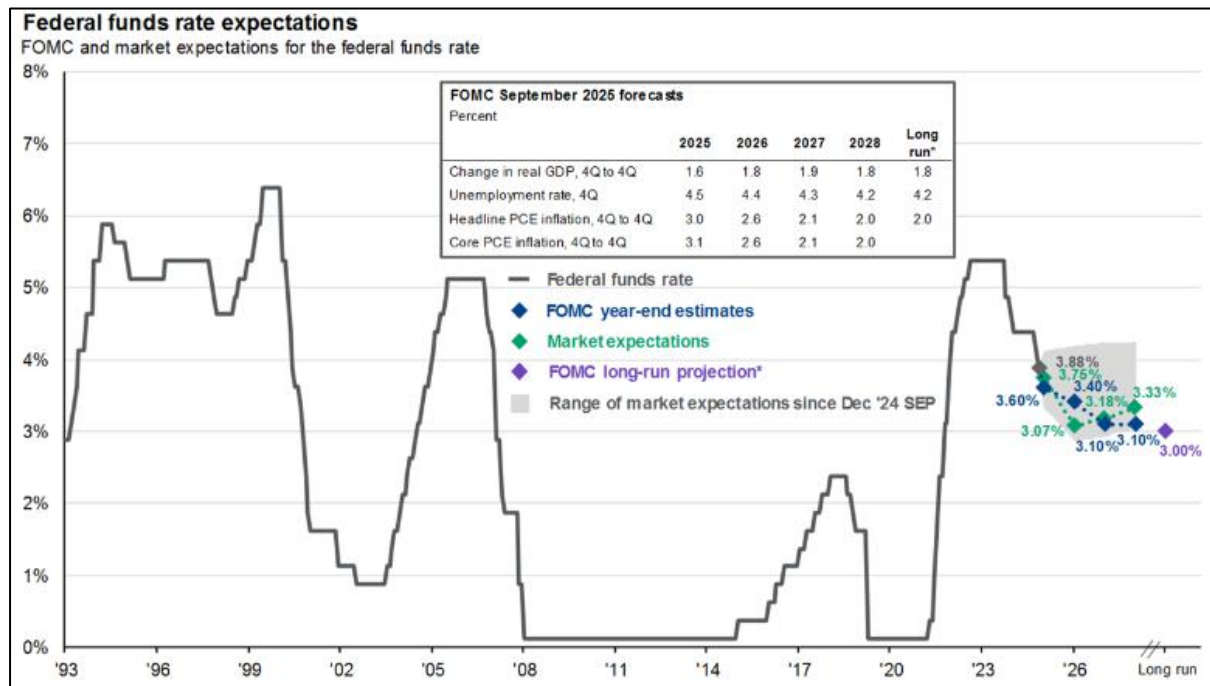
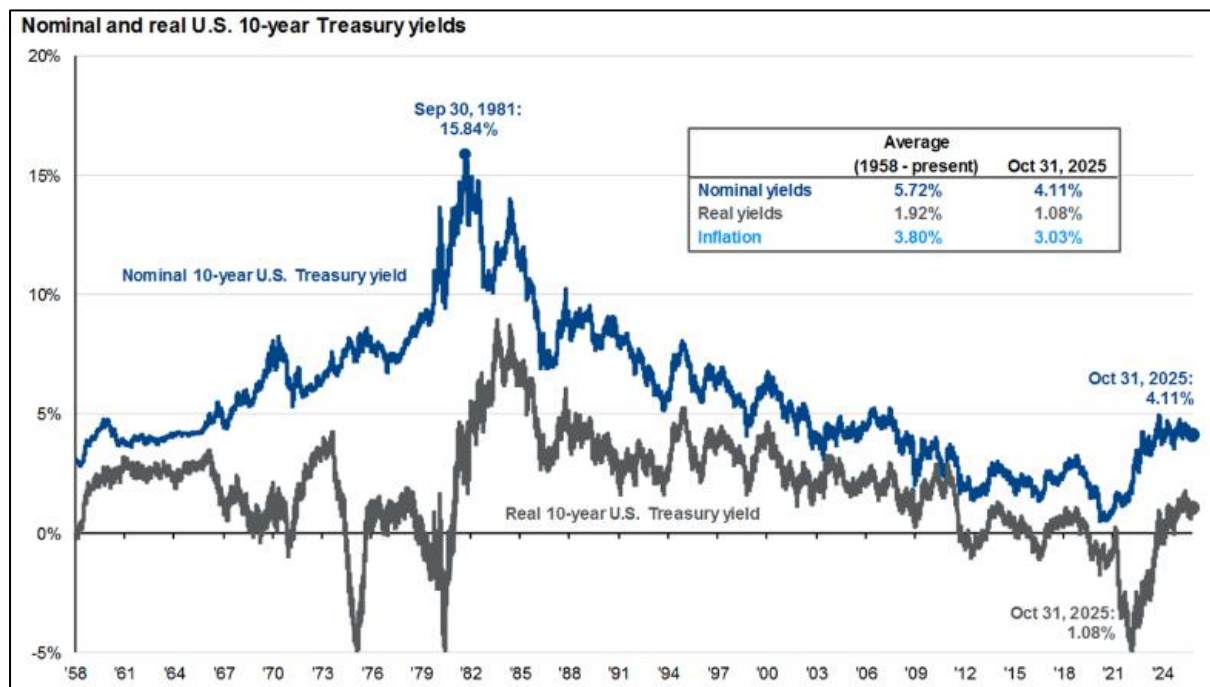


Chart 8: U.S. Real Yields



Source: JPMorgan

India

Economic landscape

Table 2: High Frequency indicator – Industry Growth

Indicator	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
IIP headline	3.2	3.7	5.0	3.7	5.2	2.7	3.9	2.6	1.9	1.5	4.3	4.0	
IIP manufacturing	4.0	4.4	5.5	3.7	5.8	2.8	4.0	3.1	3.2	3.7	6.0	3.8	
IIP capital goods	3.5	2.9	8.9	10.5	10.2	8.2	3.6	14.0	13.3	3.0	6.8	4.4	
PMI manufacturing	56.5	57.5	56.5	56.4	57.7	56.3	58.1	58.2	57.6	58.4	59.1	59.3	57.7
PMI export order	52.9	53.6	54.6	54.7	58.6	56.3	54.9	57.6	56.9	60.6	57.3	56.1	56.5
PMI manufacturing: future output	61.6	62.1	65.5	62.5	65.1	64.9	64.4	64.6	63.1	62.2	57.6	60.5	64.8
Eight Core Index	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	-1.3	0.5	2.7	4.5	-1.3	2.4	4.8	-1.8	-8.2	-6.1	-0.8	1.0	0.7
Electricity generation: renewable	12.5	14.9	19.0	17.9	31.9	12.2	25.2	28.0	18.2	28.7	26.4	22.7	
Automobile production	10.1	10.0	8.0	1.3	9.4	2.3	6.5	-1.7	5.2	1.2	10.7	8.1	10.8
Passenger vehicle production	-3.4	-4.0	6.5	9.2	3.7	4.5	11.2	10.8	5.4	-1.8	0.1	-4.1	16.1
Tractor production	2.7	0.4	24.7	20.9	23.7	-7.8	18.5	20.5	9.1	9.8	11.5	9.4	23.0
Two-wheelers production	12.9	13.3	8.8	-0.6	10.3	1.6	5.6	-4.1	4.7	1.4	12.3	10.0	9.8
Three-wheelers production	3.9	-6.7	-5.5	7.6	16.2	6.5	6.0	4.1	16.9	8.6	24.0	15.8	15.9
Crude steel production	0.3	4.2	4.5	8.3	7.4	6.0	8.5	9.3	11.0	12.6	13.8	12.7	15.0
Finished steel production	0.7	4.0	2.8	5.3	6.7	6.7	10.0	6.6	7.0	10.9	13.8	13.8	14.7
Imports of capital goods	10.9	7.0	4.7	6.1	15.5	-0.5	8.6	24.6	15.7	3.4	12.0	-1.4	10.1

<< Contraction ————— Expansion >>

Notes: 1. The y-o-y growth (in per cent) 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 September 2025, other than for the Index of Industrial Production, Eight Core Index and electricity generation: renewable, where the data are till August 2025. 4. All PMI values are reported in index form. A PMI value >50 denotes expansion, <50 denotes contraction and =50 denotes 'no change'. In the PMI heatmaps, 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.

Sources: Ministry of Statistics and Programme Implementation (MoSPI); S&P Global; Central Electricity Authority (CEA), Ministry of Power; Society of Indian Automobile Manufacturers (SIAM); Office of Economic Adviser, GoI; Joint Plant Committee; Directorate General of Commercial Intelligence & Statistics; and Tractor and Mechanisation Association.

Table 3: High Frequency indicator – Economic activity

	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
GST E-way bills	18.5	16.9	16.3	17.6	23.1	14.7	20.2	23.4	18.9	19.3	25.8	22.4	21.0
GST revenue	6.5	8.9	8.5	7.3	12.3	9.1	9.9	12.6	16.4	6.2	7.5	6.5	9.1
Toll collection	6.5	7.9	11.9	9.8	14.8	18.7	11.9	16.6	16.4	15.5	14.8	12.7	4.5
Electricity demand	-0.8	-0.4	3.7	5.1	1.3	2.4	5.7	2.8	-4.8	-2.3	2.6	3.8	3.4
Petroleum consumption	-4.4	4.1	10.6	2.0	3.0	-5.2	-3.1	0.2	0.7	0.5	-3.9	2.6	7.0
Of which													
Petrol	3.0	8.7	9.6	11.1	6.7	5.0	5.7	5.0	9.2	6.8	5.9	5.5	8.0
Diesel	-1.9	0.1	8.5	5.9	4.2	-1.3	0.9	4.2	2.1	1.5	2.4	1.2	6.6
Aviation turbine fuel	10.4	9.4	8.5	8.7	9.4	4.2	5.7	3.9	4.3	3.3	-2.3	-2.9	-0.9
Digital payments-volume	36.3	40.3	30.1	33.1	33	26.7	30.8	30	29.2	28.3	30.9	31.1	25.4
Digital payments-value	21.5	27.5	9.5	19.6	18.6	9.5	17.3	18.4	12.6	17.4	16.6	5.3	13.6

<< Contraction ————— Expansion >>

Notes: 1. The y-o-y growth (in per cent) has been calculated for all indicators. 2. The heatmap is applied to data from April 2023 to September 2025. Digital Payments data for September 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

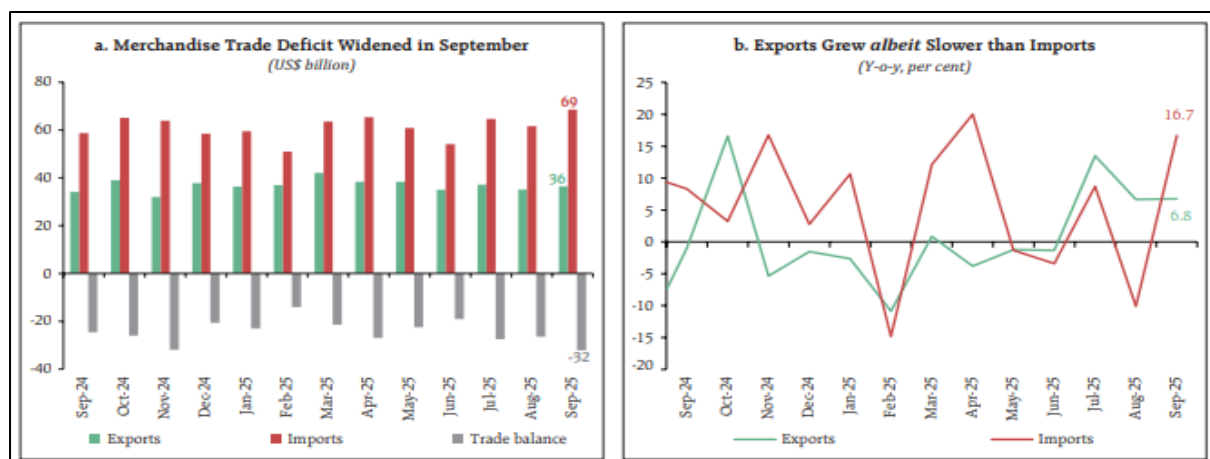
Table 4: High Frequency indicator – High Frequency Indicators for Services Showed Resilience

Indicator	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
PMI services	57.7	58.5	58.4	59.3	56.5	59.0	58.5	58.7	58.8	60.4	60.5	62.9	60.9
International air passenger traffic	11.2	10.3	10.7	9.0	11.1	7.7	6.8	13.0	5.0	3.4	5.5	7.7	
Domestic air cargo	14.0	8.9	0.3	4.3	6.9	-2.5	4.9	16.6	2.3	2.6	4.8	7.1	
International air cargo	20.5	18.4	16.1	10.5	7.1	-6.3	3.3	8.6	6.8	-1.2	4.2	4.5	
Port cargo traffic	5.8	-3.4	-5.0	3.4	7.6	3.6	13.3	7.0	4.3	5.6	4.0	2.5	11.5
Retail commercial vehicle sales	-10.4	6.4	-6.1	-5.2	8.2	-8.6	2.7	-1.0	-3.7	6.6	0.2	8.6	2.7
Hotel occupancy	2.1	-5.3	11.1	-0.2	1.2	0.6	1.9	7.2	-2.8	-0.3	-2.4	-3.1	
Steel consumption	11.2	8.1	9.5	5.2	10.9	10.9	13.6	6.0	8.1	9.3	7.3	10.0	9.1
Cement production	7.6	3.1	13.1	10.3	14.3	10.7	12.2	6.3	9.7	8.2	11.6	6.1	

<<Contraction-----Expansion>>

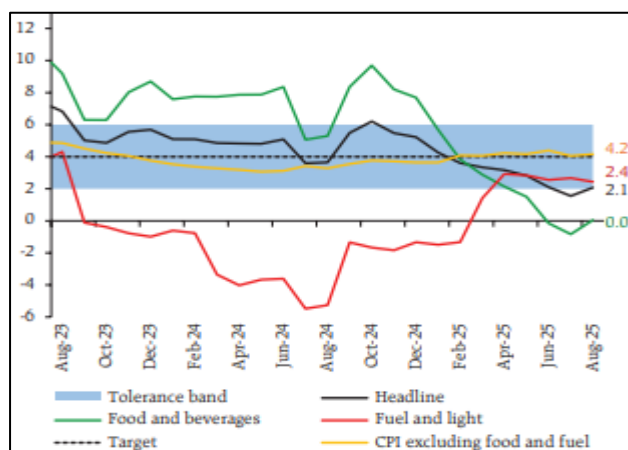
Notes: 1. The y-o-y growth (in %) has been calculated for all indicators. 2. The heatmap is applied on data from April 2023 till August 2025. 3. The heatmap translates the data range for each indicator into a colour gradient scheme with red denoting the lowest values and green corresponding to the highest 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 9: India's merchandise trade



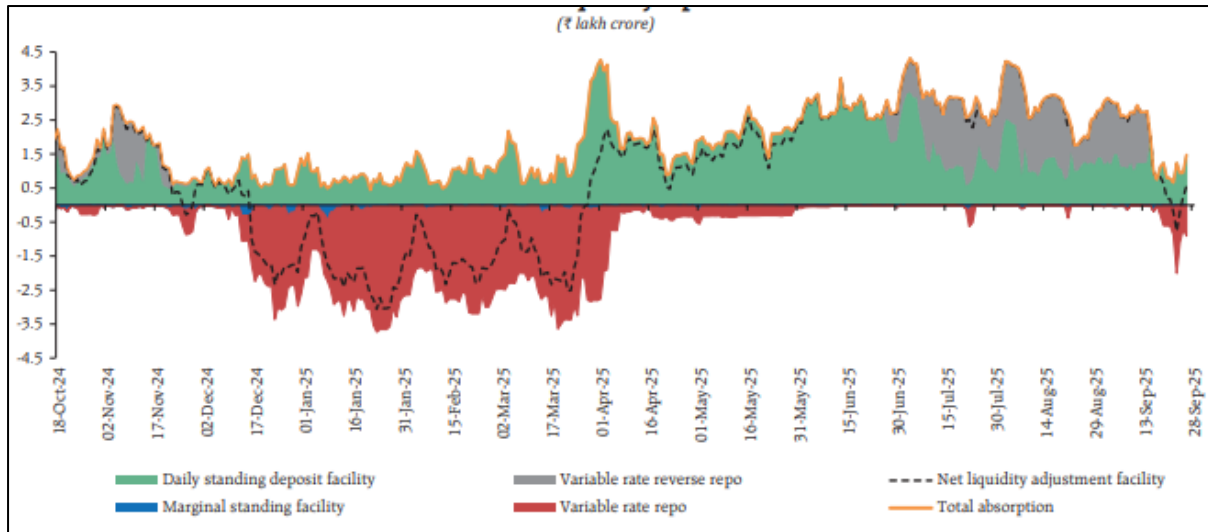
Source: RBI monthly bulletin

Chart 10: Inflation



Source: National Statistical Office, RBI

Chart 11: Liquidity Operations



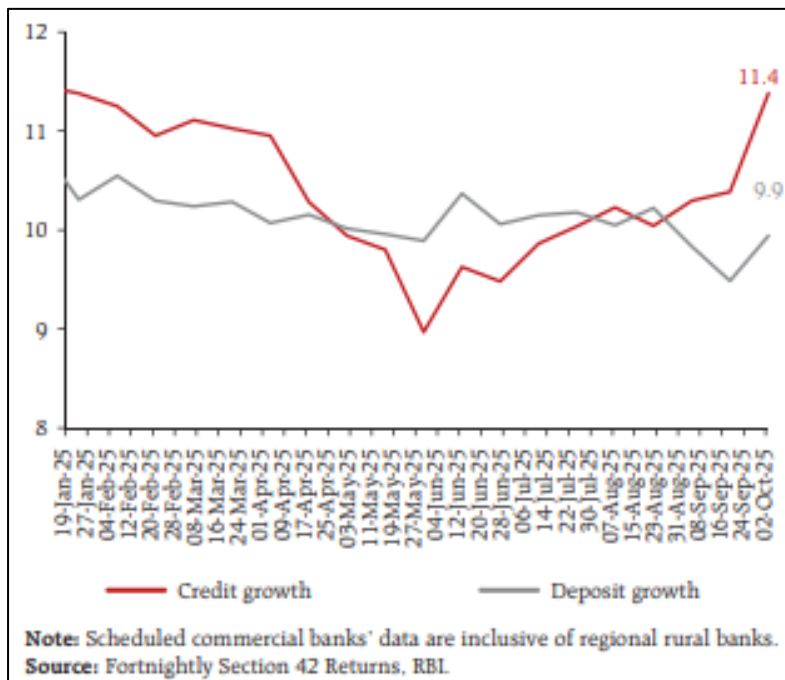
Source: RBI Bulletin

Foreign exchange reserves As of 31st October 2025, India's foreign exchange reserves stood at US\$ 695bn, sufficient to cover more than 11 months of merchandise imports

Trends of Scheduled Commercial Banks

Credit growth of scheduled commercial banks was 11.4% y-o-y as on October 3, 2025 [10.3% (y-o-y) a month ago]. Deposit growth was 9.9% (y-o-y) as on October 3, 2025 [9.8% (y-o-y) a month ago]

Chart 12: Credit and Deposit growth of SCBs



Source: RBI

India Equities: Macroeconomic Context and Market Performance

Indian equities have experienced a volatile year, marked by a sharp correction toward the end of 2024 and subdued performance through early 2025 amid weak corporate earnings and global trade uncertainties, particularly around U.S. tariffs. Despite these headwinds, India's strong policy focus on reviving domestic growth, combined with easy inflation, supports a constructive medium-term outlook.

Over the past 12 months, markets have largely traded sideways, with valuations staying elevated—driven more by multiple expansion than by earnings growth. While this calls for greater selectivity, India's robust macro fundamentals, policy continuity, and relative growth advantage will over time attract steady global capital inflows. Near-term volatility may persist due to geopolitical and trade-related factors, but long-term structural themes such as localization, supply-chain diversification, and secular demand trends are expected to cushion external shocks.

Government and Monetary policies driving Growth

The government's GST reform, effective September 22, 2025, represents the most significant overhaul of the indirect tax system in eight years. The new two-rate structure of 5% and 18% replaces the earlier four-tier framework, while luxury and sin goods remain at 40%. Essential items are taxed at 5% or exempt, while aspirational products such as premium food, beverages, and electronics attract 18%.

This initiative complements broader pro-growth and monetary measures, including 100 bps cumulative repo rate cuts and a 150 bps CRR reduction earlier in 2025. Simplified compliance, correction of inverted duty structures, and smoother input tax credit flows are expected to ease liquidity constraints, particularly for MSMEs.

In parallel, the Reserve Bank of India (RBI) has introduced targeted steps to strengthen financial stability and credit availability:

- Alignment with global standards through ECL adoption and revised Basel III norms, alongside eased capital requirements for MSME and residential real estate exposures.
- Relaxed lending limits for corporate financing, loans against shares, and IPO financing.
- Reduced funding costs for high-quality infrastructure projects and potential new Urban Co-operative Bank licenses to enhance inclusion.

Together, these fiscal and monetary measures aim to revive domestic demand, support private investment, and foster a demand-led recovery through 2026 and beyond.

Earnings and Market Outlook

The Q1 and Q2 FY26 earnings season has been mixed but encouraging, with the pace of downgrades slowing—indicating that the earnings cycle may have bottomed. Nifty 50 EPS growth is projected at 10–12% over FY26–27, supported by improving macro fundamentals and policy stimulus.

Key drivers of a constructive outlook:

1. Implementation of GST reforms simplifying tax structures and stimulating consumption.
2. Earnings recovery with 10-12%+ CAGR expected over FY26–27.
3. A fiscally prudent Union Budget maintaining infrastructure and capex momentum and Income tax relief
4. The RBI's accommodative stance ensuring liquidity amid stable inflation.
5. A supportive commodity backdrop, with lower crude prices improving fiscal and external balances.

While global uncertainties may keep volatility elevated in the near term, India's policy momentum, reform progress, and growth resilience continue to provide a solid foundation for sustained equity market gains from H2 FY26 onward.

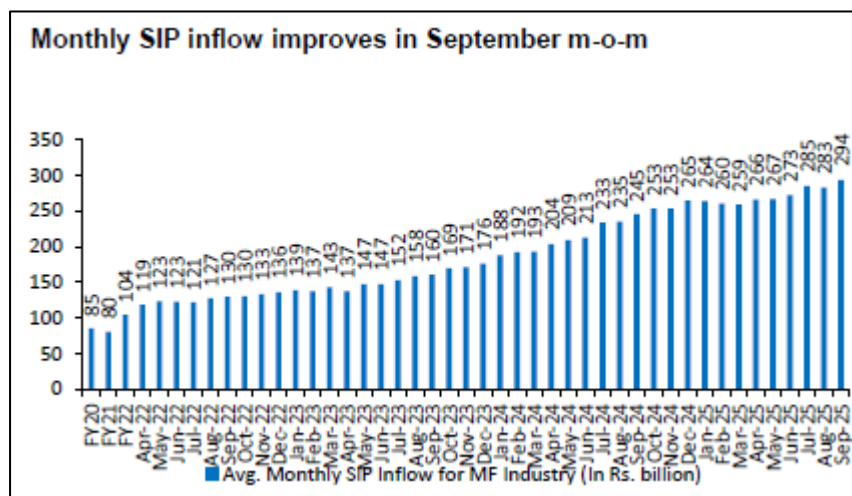
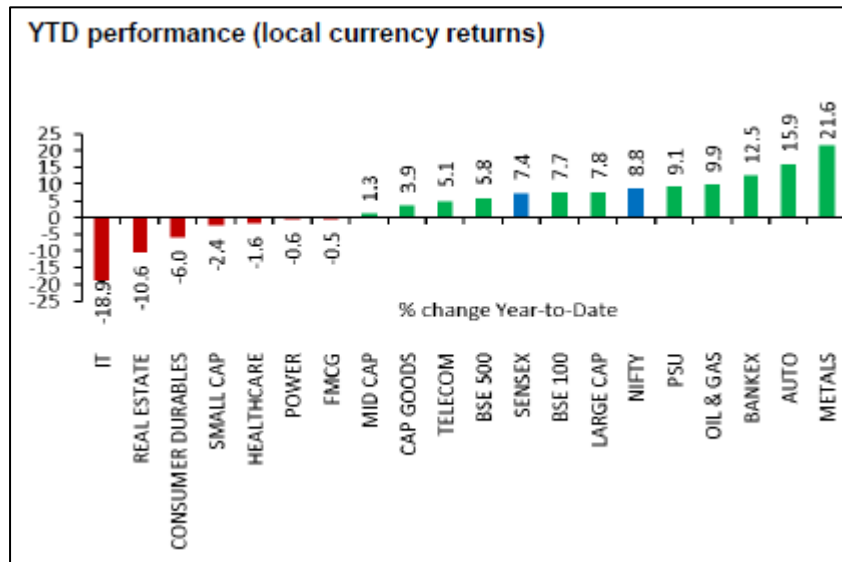
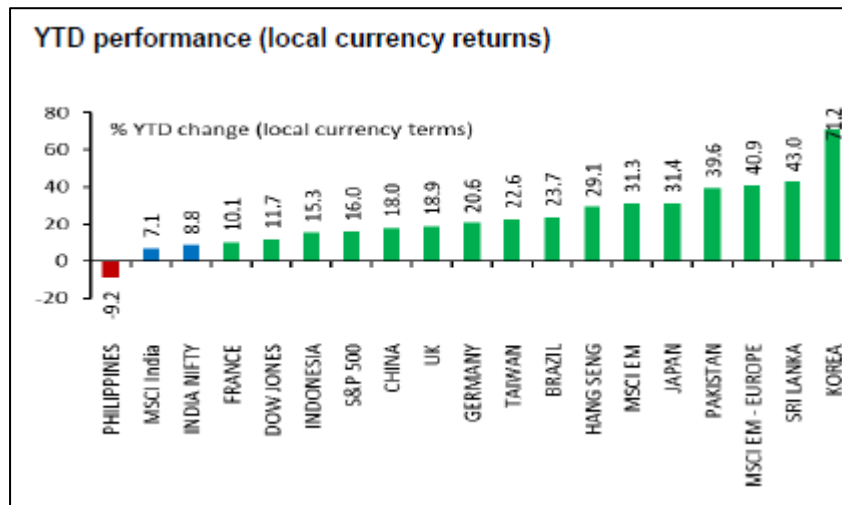
Investor Action Plan

In the current environment, investors should focus on risk-adjusted opportunities and disciplined allocation:

- **Buy on Dips:** Use meaningful market corrections as entry opportunities, with a greater allocation to large- and mid-cap stocks. These segments offer better earnings visibility and liquidity, while small and micro caps show signs of speculative excess.
- **Be Selective on IPOs:** The surge in primary market activity warrants caution. Focus on fundamentally strong businesses with profitability visibility and sound governance rather than chasing momentum listings.
- **Reassess Valuation and Earnings Outlook:** Despite the narrowing of India's valuation premium versus other emerging markets, subdued earnings growth remains a deterrent for stronger foreign investor participation. Clear earnings acceleration will be key to renewed FII inflows.
- **Stay Anchored in Core Sectors:** Maintain allocations to financials, manufacturing, infrastructure, and consumption—sectors best positioned to benefit from policy reforms, domestic demand recovery, and improving liquidity conditions.

Trends in Indian Equity Market

Charts 13-14-15: Global and Domestic markets performance, domestic sectors performance and domestic SIP flows



Source: AMFI, NSE India, SBI MF, BSE

Chart 16: Nifty EPS trend

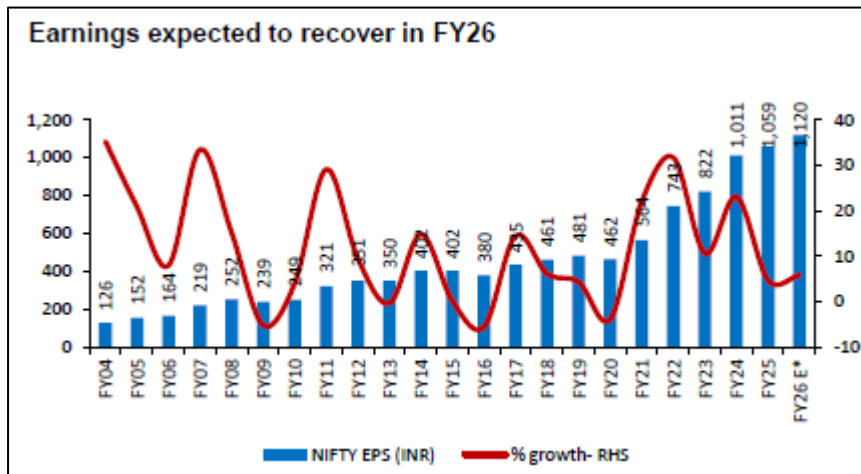


Chart 17: Nifty Q1 FY26 Sales

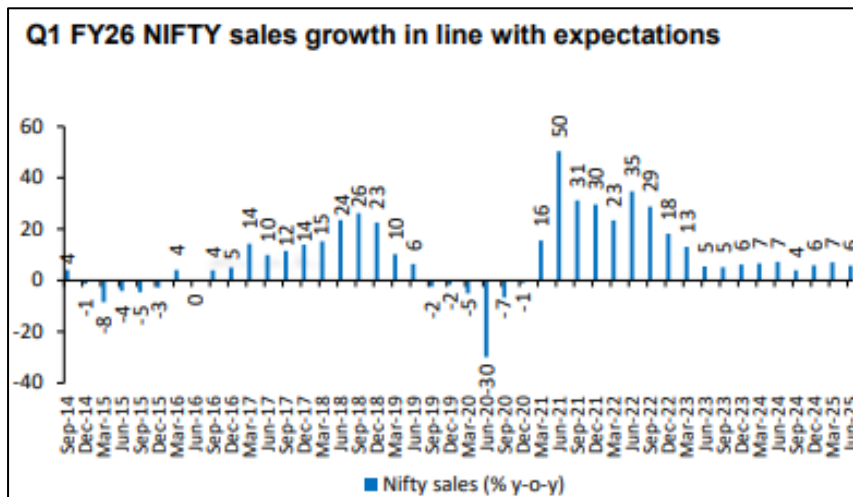
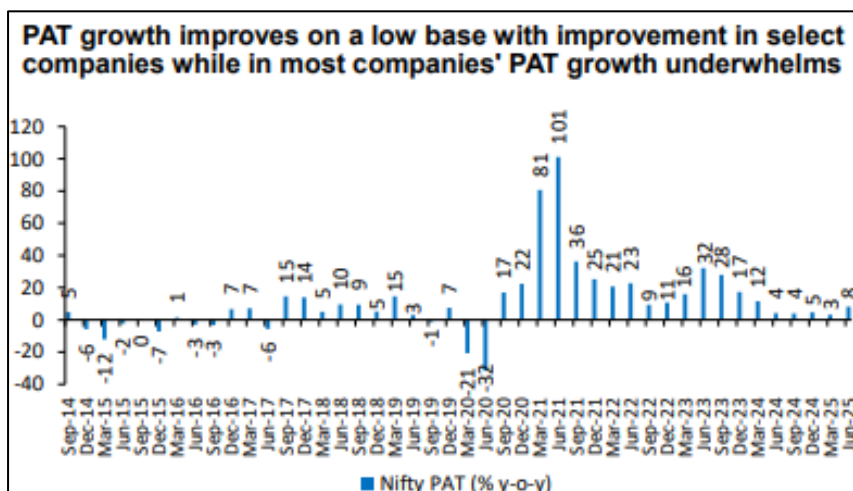


Chart 18: Nifty Q1 FY26 PAT



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 19: FII trends

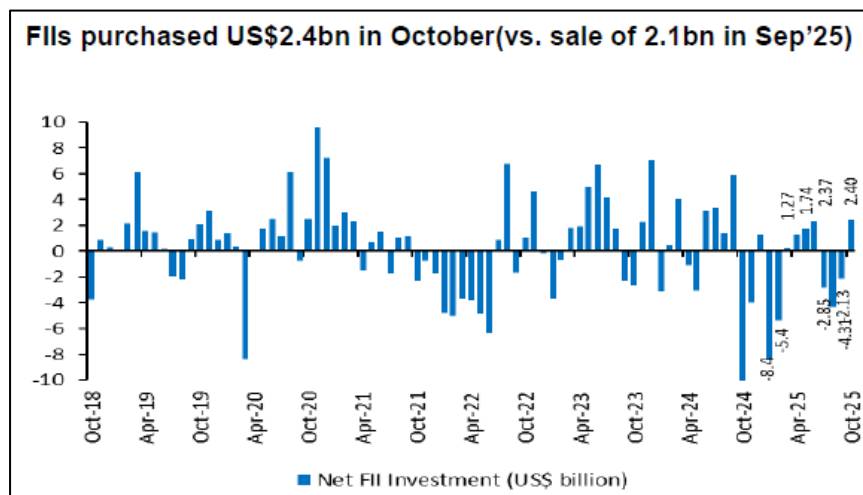


Chart 20: DII trends

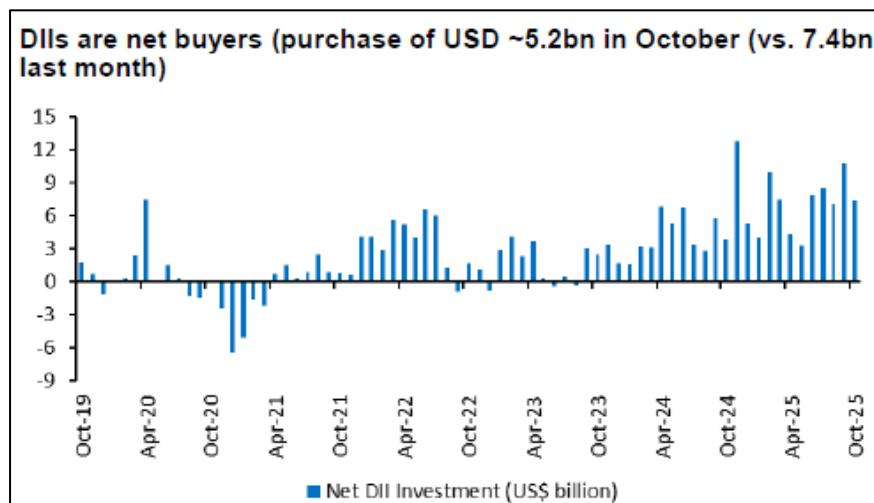
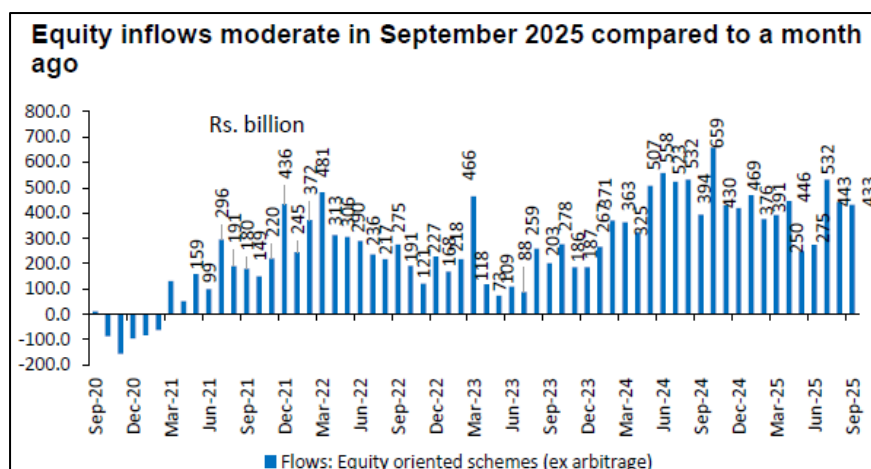


Chart 21: Domestic Equity MF flows



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

India Bonds: RBI's major rate cuts are largely behind us

In the last monetary policy meeting, the Reserve Bank of India (RBI) maintained the policy repo rate at 5.50% under the Liquidity Adjustment Facility (LAF). Accordingly, the Standing Deposit Facility (SDF) rate remains at 5.25%, while both the Marginal Standing Facility (MSF) rate and the Bank Rate stay at 5.75%. The Monetary Policy Committee (MPC) also chose to retain its neutral stance, reflecting a balanced view of evolving domestic and global macroeconomic conditions.

Over the past year, Indian bond markets especially in the short to medium segment (up to 4–5 years maturity) have rallied, barring some consolidation in recent months. This performance has been driven by cooling inflation, front-loaded rate cuts by the RBI, and ample liquidity in the financial system. Together, these factors created a strong foundation for bonds, though the market now faces a more balanced mix of positives and headwinds.

Supportive Drivers

- The RBI still has room for limited policy easing should economic conditions soften, offering a cushion for the market.
- Consumer price inflation is expected to stay comfortably below the 4% target for the remainder of the year, supporting a continued accommodative stance.
- Despite a marginal rise in the fiscal deficit due to GST reforms, there is unlikely to be any change to the government's borrowing calendar, avoiding additional supply pressures.
- Globally, the U.S. Federal Reserve is expected to resume rate cuts amid rising global uncertainty, which could further boost sentiment toward Indian fixed income.

Key Challenges

- Tax revenues may come under pressure, with direct tax collections running below target and GST receipts likely to soften following recent structural changes.
- The income tax reductions announced in the FY24 Budget have constrained the government's revenue-raising ability.
- While reforms may boost consumption and efficiency in the long run, higher demand could eventually rekindle inflationary pressures, partly offsetting the current disinflation trend.

Market Outlook

Going forward, the bond market is likely to stay torn between supportive factors and emerging risks. In the near term, shorter maturities should continue to benefit from the RBI's accommodative policy, benign inflation, and a stable borrowing program, offering attractive carry with relatively low duration risk. However, as the year progresses, fiscal slippages from weaker tax collections and potential consumption-driven inflation may limit the room for further rate cuts and add bouts of volatility, especially at the longer end of the curve.

Investment Strategy

In this environment, we continue to prefer short-duration strategies—focusing on bonds and debt funds with modified duration below 3 years and maintaining overweight exposure to AAA and AA+ rated issuers over lower-quality credits.

Post the October 2025 monetary policy outcome, investors should moderate expectations for fixed income returns, as yields have already rallied substantially over the past year and the bulk of the RBI's rate-cut cycle now appears to be behind us.

We reiterate our guidance to reduce portfolio duration and explore hybrid mutual fund products, which can offer better tax efficiency and diversification compared to pure fixed income allocations. Investors should align such decisions with their individual risk profile and investment objectives.

Table 5: Yield movement

	2023 end	2024 end	Aug-25	Sep-25	Oct-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	5.64	5.61	5.58	-3	-111
3M T-Bill	6.93	6.55	5.51	5.47	5.46	-2	-109
3 year GSec	7.07	6.73	5.62	5.67	5.60	-6	-113
5 year GSec	7.09	6.72	6.02	5.88	5.85	-4	-87
10 year GSec	7.18	6.79	6.60	6.57	6.47	-10	-33
3 Yr Corp Bond*	7.78	7.58	7.02	6.87	6.85	-2	-72
5 Yr Corp Bond*	7.79	7.46	7.09	6.92	6.95	3	-51
10 Yr Corp Bond*	7.76	7.24	7.39	7.29	7.27	-1	3
1 Yr IRS	6.64	6.51	5.52	5.45	5.48	3	-103
5 Yr IRS	6.19	6.20	5.78	5.74	5.69	-5	-51
Overnight MIBOR Rate	6.90	7.15	5.54	5.74	5.69	-5	-146
10 year SDL	7.65	7.15	7.41	7.26	7.19	-7	4
INR/USD	83.21	85.61	88.21	88.79	88.77	-0.02^	-3.7^
Crude oil Indian Basket**	77.43	73.34	69.11	69.61	64.98	-6.7^	-11.4^

Source: SBI MF

Market Data

Table 6: India Index Performance (%) 31 st Oct 25	1M	1Y	3Y
Nifty 50	4.6%	7.6%	13.9%
Nifty Next 50	3.0%	0.8%	18.8%
Nifty 200	4.6%	6.6%	15.7%
Nifty 500	4.4%	5.6%	16.5%
Nifty Midcap 150	4.8%	6.2%	23.6%
Nifty Smallcap 250	3.7%	-1.9%	23.5%
Nifty Microcap 250	3.9%	-3.9%	30.3%
Theme/Sector			
Nifty Auto	1.0%	15.1%	27.1%
Nifty Bank	5.8%	13.1%	12.8%
Nifty CPSE	2.4%	2.6%	35.8%
Nifty Defence	3.6%	28.9%	56.0%
Nifty FMCG	2.7%	-3.2%	10.1%
Nifty Infrastructure	6.2%	9.4%	23.2%
Nifty IT	6.9%	-9.5%	9.8%
Nifty Manufacturing	3.3%	8.2%	22.9%
Nifty Metals	5.7%	14.8%	22.3%
Nifty Oil and Gas	6.3%	6.9%	15.0%
Nifty Pharma	3.4%	-1.8%	19.7%

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

Table 7: India Smart Beta Index Performance (%) 31 st Oct 25	1M	1Y	3Y
Nifty Alpha 50	4.4%	-8.9%	19.3%
NIFTY Alpha Low-Volatility 30	3.4%	-4.9%	16.5%
Nifty Low Volatility 50	3.5%	5.4%	17.6%
Nifty100 Low Volatility 30	3.7%	6.0%	17.3%
Nifty200 Momentum 30	5.4%	-8.3%	17.2%
NIFTY200 Quality 30	3.8%	0.7%	14.9%
NIFTY200 Value 30	6.5%	9.6%	36.4%

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

Table 8: India Valuation Metric **P/E 31st Oct 25**

Index Name	P/E
Nifty 50	22.64
Nifty Next 50	20.66
Nifty 200	23.79
Nifty 500	24.60
Nifty Midcap 150	34.12
Nifty Smallcap 250	30.76
Nifty Microcap 250	29.43
Nifty Auto	27.71
Nifty Bank	16.17
Nifty Financial Services	17.86
Nifty FMCG	41.32
Nifty IT	25.31
Nifty Metal	20.03
Nifty MNC	36.26
Nifty Pharma	33.94
Nifty PSU Bank	8.38
Nifty Realty	45.02
Nifty India Consumption	42.04
Nifty Commodities	17.43
Nifty Infrastructure	22.30
Nifty PSE	11.85
Nifty Private Bank	19.75
Nifty Oil & Gas	11.84

Source: NSE India, StatLane Research

Table 9: India Smart Beta Valuation Metric **P/E 31st Oct 25**

Nifty Alpha 50	42.21
NIFTY Alpha Low-Volatility 30	32.99
Nifty Low Volatility 50	33.09
Nifty100 Low Volatility 30	28.91
Nifty200 Momentum 30	39.40
NIFTY200 Quality 30	29.16
NIFTY200 Value 30	9.89

Source: NSE India, StatLane Research

Table 10: Global Index Performance (%) 31st Oct 25	1M	YTD	1Y
S&P 500	2.3	17.5	21.5
Dow Jones Industrial Average	2.5	11.8	13.9
S&P Developed Ex US BMI	2.4	29.9	26.5
S&P Europe 350	0.9	29.3	24.1
S&P Asia 50	6.1	48.2	44.5
S&P EM BMI	3.2	25.5	22.3

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

Table 11: U.S. Smart Beta Index Perf (%) 31st Oct 25	1M	YTD	1Y
S&P 500 Momentum	0.6	29.1	35.2
S&P 500 Equal Weight	-0.9	8.9	8.6
S&P 500 Growth	3.4	23.5	32.0
S&P 500 Value	1.1	10.9	9.4
S&P 500 Low Volatility	-3.7	2.7	1.6

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

Table 12: India Fixed Income Yield %	31 st Oct 25	30 th Sep 2025
Repo	5.50	5.50
1 Year CD	6.42	6.35
10 Year GOI	6.53	6.57
5 Year PSU	6.93	6.87
1 Year NBFC	6.94	6.94
3 Year NBFC	7.40	7.44

Source: StatLane Research

Table 13: India Fixed Income Indices	Index Return %			
As of 31 st Oct 25	Yield (%)	MD (Yrs)	1M	1Y
Nifty 5Y SDL Index	6.94%	4.02	0.56%	7.36%
Nifty 10Y SDL Index	7.29%	7.08	-0.26%	0.80%
NIFTY 10 yr Benchmark G-Sec	6.57%	7.44	0.76%	8.27%
NIFTY Corporate Bond Index	7.09%	2.27	0.67%	7.99%
NIFTY Banking and PSU Debt Index	6.68%	2.63	0.81%	8.14%
NIFTY Low Duration Debt Index	6.63%	0.64	0.52%	7.51%
NIFTY Short Duration Debt Index	6.63%	1.64	0.55%	7.93%
NIFTY Credit Risk Bond Index	8.59%	1.85	0.66%	8.04%
NIFTY Long Duration Debt Index	7.08%	8.00	0.49%	4.23%
NIFTY Short Duration G-Sec Index	5.87%	2.09	0.50%	8.08%
NIFTY Long Duration G-Sec Index	6.97%	9.58	0.36%	3.86%

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

Table 14: Commodities	31 st Oct 25	30 th Sep 25
Oil (Brent \$)	65.58	68.85
Gold (\$)	4002	3863

Source: StatLane Research

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