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at a glance

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Domestic Equity Market Update

Indian equity indices, i.e., BSE Sensex and Nifty 50, ended the above-mentioned period on a positive note to the tune of 2.6% and 2.6%, respectively. Broader market indices such as BSE Midcap delivered a positive return of 2.3% and BSE Smallcap delivered a negative return of 0.2%.

On the BSE sectoral front, indices ended on a mixed note. Oil & Gas, Realty, Consumer Durables and IT were the biggest outperformers. In October 2025, Foreign Portfolio Investors (FPIs) were net buyers in equities to the tune of ₹110 bn.

Indian equity indices ended the period on a positive note supported by United States Federal Reserve rate cut, declining inflation, strong quarterly earnings, steady foreign fund inflows and easing trade uncertainties between the US and China.

Domestic Macroeconomic Updates

- The International Monetary Fund (IMF) has predicted that India will continue to be one of the fastest-growing 'emerging market and developing economies' in FY26, growing at a rate of 6.6% YoY.
- Data from the Ministry of Statistics and Programme Implementation (MoSPI) showed that India's Industrial Output slowed to 4% YoY in September 2025 from a revised 4.1% YoY in August 2025.
- Data released by the Ministry of Commerce and Industry (MCI) showed that despite a favourable low base effect, growth in India's eight core industries plunged to a three-month low of 3% YoY in September from an upward revised figure of 6.5% YoY in August 2025.
- According to data from S&P Global, the HSBC India Purchasing Managers' Index (PMI) rose to 59.2 in October 2025 from 57.7 in September 2025.
- According to data from S&P Global, business activity in India's dominant services sector fell to a five-month low as the headline HSBC India Services Purchasing Managers' Index (PMI) fell to 58.9 in October 2025 from 60.9 in September 2025.
- According to SEBI data, net equity market deployment by Mutual Funds (MFs) fell to a six-month low of ₹177.78 bn in October 2025 (data as on October 30, 2025), compared with ₹464.42 bn in September 2025 and ₹705.34 bn in August 2025.
- According to Prime Database, Domestic Institutional Investors' (DII's) ownership in NSE-listed companies soared to a record high of 18.26% in Q2 FY26. In contrast, the share of Foreign Portfolio Investors (FPIs) slipped to a 13-year low of 16.71%, following outflows of ₹766.19 bn during the quarter.
- From Nifty 200 universe, 149 companies have announced their Q2 FY26 earnings thus far. At an aggregate level, Sales, EBITDA and PAT have grown by 8.49%, 21.61% and 14.57% YoY, respectively. Excluding Financials, Sales, EBITDA and PAT have grown by 9.49%, 22.80% and 24.65% YoY respectively.
- From Nifty 500 universe, 354 companies have announced their Q2 FY26 earnings thus far. At an aggregate level, Sales, EBITDA and PAT have grown by 8.63%, 23.64% and 17.33% YoY, respectively. Excluding Financials, Sales, EBITDA and PAT have grown by 9.52%, 23.52% and 26.11% YoY respectively.

Global Market Updates

US equities (S&P 500, Dow Jones Industrial Average) ended the period on a positive note, reinforced by a dovish Federal Reserve, record strong corporate results, especially in the technology space and underpinned by strong liquidity.

European equities ended the period on a positive note mirroring global equity strength. Easing of US-China trade tensions, continued disinflation across Euro area, coupled with resilient economic data further boosted the market sentiments.

Brent crude price declined from USD 63.32 per barrel to USD 62.71 per barrel pressured by a stronger dollar and concerns of a global supply glut. Escalating US-China trade uncertainties and International Energy Authority's forecast of a 2026 supply surplus further led to a decline in prices.

Fund Managers' Corner

As per Fund Managers, interest rate movements, global slowdown concerns, corporate earnings trajectory, volatility in the US bond yields, Trump Administration's tariff policies, and decelerating urban demand could continue to pose risks to Indian equities in the near-to-medium term. Nevertheless, strong domestic macros and high-frequency indicators, tax relief in the budget, steady government-led capex traction, anticipation of improvement in private capex, positive management commentaries on future prospects, revival of rural economy, and positive Foreign Portfolio Investor (FPI) and Domestic Institutional Investors' (DII) flows along with government reforms like GST rate rationalisation may provide some respite.

Sectoral rotation is emerging as a current market trend as no single sector seems to have taken the leadership. As markets are getting narrower, better stock pickers would be able to generate alpha as per Fund Managers. So far, Q2 FY26 earnings delivery has not disappointed which is a positive. A potential resolution to the India-US trade standoff could act as an upside trigger for the markets. Results of State elections would also be monitored as an indicator of political stability. Till clarity emerges on the US tariffs front, Fund Managers are looking to keep their portfolios domestically tilted as a safeguard.

Though valuations remain elevated compared to past averages, a Fund Managers' ability to identify better bottom-up ideas and adjust their portfolios periodically could be drivers of relative outperformance vs their peers, irrespective of their investing style. Given that return volatility continues in the market, actively managed equity funds assume importance in an investor's portfolio.

Outlook & Investment Strategy

Going forward, the Indian equity market is likely to be driven by any moves around India-US trade deal, movement in the US Dollar index, Q2 FY26 results, crude price volatility on the back

Domestic Indices	Close	13-Oct-25	Absolute Change	% Change
BSE Sensex	84467	82327	2139	2.6
Nifty 50	25876	25227	648	2.6
Nifty Next 50	69808	68570	1238	1.8
Nifty 500	23837	23295	542	2.3
BSE 200	11744	11447	297	2.6
BSE 100	27131	26449	682	2.6
Nifty Midcap 100	60902	58762	2140	3.6
Nifty Smallcap 100	18250	18102	147	0.8
BSE Bankex	65360	63944	1415	2.2
BSE IT	36031	34672	1359	3.9
BSE Auto	61240	59537	1704	2.9
BSE FMCG Sector	20416	20063	353	1.8
BSE Oil&Gas	29079	27311	1768	6.5
BSE Healthcare	44565	44666	-101	-0.2
BSE Cap Goods	71167	68963	2204	3.2
BSE Metal	34936	33851	1085	3.2
BSE Power	6712	6797	-85	-1.2
BSE Cons Durable	61544	59206	2337	3.9
BSE Infra.	592	597	-5	-0.8
BSE Realty	7283	6967	316	4.5

Overseas Indices	Close	13-Oct-25	Absolute Change	% Change
S&P 500	6851	6655	196	2.9
Dow Jones Ind Avg	48255	46068	2187	4.7
Dax (Germany)	24381	24388	-6	0.0
FTSE (UK)	9911	9443	469	5.0
Hang Seng	26923	25889	1033	4.0
Nikkei	51063	46847	4216	9.0
Shanghai Composite	4000	3890	111	2.8

Source: Bloomberg  
Note: Closing prices of all the above indices are as on November 12, 2025

of sanctions imposed by the US, improvement in consumption demand post the proposed GST slab rationalisation, FPI/DII flows, and moves to support liquidity by RBI. The Trump administration has imposed about 50% tariff on India, including penalty due to India's trade relations with Russia, which has led to volatility in sectors exposed to the US. Along with that, it recently also levied an annual fee of USD 100k on fresh H1-B visas and announced up to 100% tariffs on branded and patented pharmaceutical imports from all nations effective from 1st October 2025. There is still expectation of a better trade deal that can come about in due course. The GST rate rationalisation may support sectors that could be adversely impacted due to tariffs and act as a tailwind to the overall domestic consumption in the near term. Market sentiments in near term could be driven by Bihar election results.

Q2 FY26 earnings season has been reasonably stable and generally better than expectations so far, led by Construction materials, Oil & Gas, Textiles, Chemicals and Telecommunication. On expected earnings side, with a low base, a sustained pickup in urban consumption demand, or incremental government spending support through fiscal expansion, or further meaningful support provided by the RBI, could help drive superior earnings delivery which is likely to also aid in better equity market performance.

Rich valuations, selling pressure from FPIs, and supply in the Primary markets seem to be weighing down on the market performance. The Government on its part has rationalised GST rates to improve domestic consumption, the benefit of which is becoming visible and is likely to drive medium-term growth. Market participants also expect further policy rate cuts or strong liquidity infusion by the RBI to keep growth buoyant. If further support comes about, or if US tariffs get re-negotiated, or if we get favourable tariffs with EU (negotiations ongoing), the markets are likely to take that positively.

While the markets have become narrow, as the earnings growth start to improve opportunities may get broad based in the set of stocks which deliver incrementally better revenue/earnings growth. Fund Managers who are able to be fairly nimble and identify growth ideas could generate alpha vs their peers. While FPIs have been big sellers in the Indian markets, India's relative underperformance vs its peers in the recent months is likely to gradually make the Indian markets attractive for them, provided the earnings downgrades reverse.

In terms of deployment strategy, we maintain our investment deployment strategy of 50% Lumpsum and 50% staggered over the next 5-6 months, as Indian GDP growth still remains amongst the best in the world, and any sharp volatility can be used by investors to add to their exposures. Fund managers who can pick out companies with superior growth prospects are likely to outperform in the medium-term. On allocations in Equity Mutual Fund perspective, investors could look at investing across Largecap, Flexicap, Large and Midcap, Multicap, Hybrid Equity, Business Cycle funds and using STPs as an instrument to invest in and Midcap funds, Smallcap and Multi asset funds; in line with their risk profile and product suitability from a 2-3 year time horizon.

## Highlights

Domestic G-Sec yields ended on a positive note during the above-mentioned period, wherein yield on the 10-year benchmark, the 6.32% G-Sec 2035 bond, closed lower by 2 bps at 6.30% from 6.32%. In case of AAA-rated corporate bonds, yields up to the 1-year segment were raised in the range of 1-6 bps to 7 bps, whereas yields above 1-year segment (2.5-year) were raised in the range of 1-10 bps to 8 bps.

## Movement in G-Sec yields

Indian G-sec yields fell during the mentioned timeline, as heavy purchases by the RBI boosted market sentiment and fueled expectations of upcoming Open Market Operations (OMOs). It was further supported by lower-than-expected debt supply, with the RBI raising ₹210 bn through one of its weekly auctions, falling short of the ₹320 bn target. Gains were capped because of the tight banking system liquidity.

**Liquidity Conditions** - Domestic banking system liquidity, as measured by the Reserve Bank of India's (RBI's) net Liquidity Adjustment Facility (LAF), deteriorated, to stand at a daily average surplus of around ₹1.01 trillion during the above-mentioned period as compared to the daily average surplus of around ₹1.08 trillion during the period of September 12, 2025 to October 13, 2025.

## Macro Data released during the period

Consumer Price Index (CPI) based inflation for October 2025 decelerated further to 0.25% YoY, lower than the previous month's print of 1.54% YoY and below the market expectations of 0.48% YoY. Core CPI inflation decelerated marginally to 4.40% YoY in October 2025 as against 4.48% YoY in the previous month. In its October 2025 MPC meeting, the RBI kept policy rates unchanged and continued with its neutral stance. The RBI also revised its inflation outlook for FY26 downward to 2.8% YoY from 3.1% YoY projected earlier, while annually, medium-term inflation remains constant at 3.8% YoY from the earlier estimate of 4.5% YoY. India's fiscal exports grew by 6.74% YoY to USD USD 68.52 bn. The country's trade deficit stood at 4.8% YoY to about ₹1.36 trillion in October 2025, as net ODI revenues suffered to ₹1.36 trillion.

## Global Updates

Despite the data blackout due to the US federal government shutdown, the US Fed held up to 3.25% YoY in September 2025, to lower the target range for the unemployment rate and inflation at the same time. The Fed kept interest rates unchanged at 3.25%. Similarly, the Fed kept its benchmark interest rate unchanged at 3.25%. Similarly, the Fed kept its benchmark interest rate unchanged at 3.25%.

## Outlook

The liquidity condition, as measured by the RBI's net LAF, deteriorated, to stand at a daily average surplus of around ₹1.01 trillion during the above-mentioned period as compared to the daily average surplus of around ₹1.08 trillion during the period of September 12, 2025 to October 13, 2025. The RBI kept policy rates unchanged and continued with its neutral stance. The RBI also revised its inflation outlook for FY26 downward to 2.8% YoY from 3.1% YoY projected earlier, while annually, medium-term inflation remains constant at 3.8% YoY from the earlier estimate of 4.5% YoY. India's fiscal exports grew by 6.74% YoY to USD USD 68.52 bn. The country's trade deficit stood at 4.8% YoY to about ₹1.36 trillion in October 2025, as net ODI revenues suffered to ₹1.36 trillion.

## Fund Managers' Outlook

Most Fund Managers (FMs) believe that RBI will be monitoring the growth-inflation dynamics, but the Central bank has enough space to look at growth supportive policy measures. They also highlighted that though the recently announced ODI rationalisation and lower than budgeted tax revenue on the back of lower nominal GDP has led to some fiscal slippage concerns, it is largely within manageable levels. However, the nominal GDP prints are tracking below the RBI's projections, pointing to a softer economic trajectory. They also feel a constructive India-US trade deal is around the corner. The FMs expect inflation to remain benign, where some FMs also highlighted it may underheat RBI's projection of 2.8% for FY26. The system liquidity is expected to remain in neutral to surplus zone due to the phased OMO cut, however the RBI may conduct OMOs to support durable liquidity in case liquidity slips down further. Many FMs have highlighted the demand supply mismatch at the larger end of the yield curve and possible deleveraging. The central bank has been taking note of elevated yields and working on transmission of rates. Majority of the FMs feel that the recent sell-off at the larger end of yield curve and resultant high term spreads has created a tactical opportunity. Carry through corporate bonds remains a good strategy from a risk-reward perspective due to lucrative YTM and possibility of corporate yields going down further in the 1-5 years term basis easing liquidity. Some FMs are looking at duration from a tactical point of view. Additionally, the Income plus Arbitrage category continues to find the favor of FMs for the greater than 2 years tenure.

## Fixed Income Mutual Fund Investment Strategy

The 1-5 year term spreads remain lucrative and are expected to compress given RBI's MPC members' relatively dovish stance and the Central Bank's continuous effort to bring down elevated G-sec yields, which may benefit Dynamic Bond Funds that are tactically positioned to take advantage of the same. The spread at the shorter end of the Corporate Bond yield curve continues to remain at lucrative levels, against G-Sec. Liquidity is expected to remain comfortable, and the curve may steepen further. Thus, a case continues to exist for investment into corporate bond funds that are at the 1-4 year segment of the curve. Hence, investors can look at Corporate Bond Funds for a horizon of 12 months and above. For a horizon of 24 months and above, investors may consider Income Plus Arbitrage FPs or consider Dynamic Bond Funds for tactical opportunity. For a horizon of 3 months and above, investors can consider Arbitrage Funds and Money Market Funds. Whereas for a horizon of up to 3 months, investors can consider Overnight Funds and Liquid Funds. Investors should invest in line with their risk profile and product suitability.

## Indicative Quotes

February'26 (3-month) - T-Bill	5.43%
May'26 (6-month) - T-Bill	5.55%

## HDFC Bank FD Interest Rate (p.a.) Applicable from 25th June 2025

Period	Interest Rate (p.a.)
7 Days - 14 Days	2.75%
15 Days - 29 Days	2.75%
30 Days - 45 Days	3.25%
46 Days - 60 Days	4.25%
61 Days - 89 Days	4.25%
90 Days < - 6 Months	4.25%
6 Months 1 Day < - 9 Months	5.50%
9 Months 1 Days to < 1 Year	5.75%
1 Year to < 15 Months	6.25%
15 Months to < 18 Months	6.35%
18 Months to < 21 Months	6.60%
21 Months to < 24 Months	6.45%
24 Months to < 27 Months	6.45%
27 Months to < 30 Months	6.45%
30 Months to < 33 Months	6.45%
33 Months to < 36 Months	6.40%
36 Months to < 39 Months	6.40%
39 Months to < 42 Months	6.40%
42 Months to < 45 Months	6.15%

3. Core and are subject to (a)

High - 5.62%

Low - 4.95%

1 Month ago	1 Year ago
5.88%	6.60%
6.08%	6.77%
6.38%	6.83%
6.93%	7.38%

Source - Capgemini, RBI

## Yield Curve



The G-Sec term spread between the 1-year and 10-year G-Secs narrowed to -93 bps on 12 November, as against -97 bps on 13 October. Also, the G-Sec term spread between the 1-year and 5-year G-Secs narrowed to -59 bps on 12 November, as against -61 bps on 13 October.