

**Domestic Equity Market Update**

- Indian equities ended the week on a positive note, with the large cap-oriented BSE Sensex ending higher by 1.13% & Nifty 50 ending higher by 1.29% WoW respectively. The BSE Midcap index ended higher by 1.83% and the BSE Small cap index ended higher by 2.53%.
- On the BSE sectoral front, most of the indices ended on a positive note. Auto, Metal and Consumer Durables were the biggest outperformers.
- Domestic equity markets ended the week on a positive note following robust macroeconomic indicators. India's economy expanded by 7.8% YoY in Q1 FY26, marking the strongest growth in five quarters. Additionally, the Services PMI surged to 62.9 in Aug 2025, driven by a sharp rise in new orders. Sentiment was boosted by optimism over GST reforms after the GST Council simplified the existing four tax slabs, which were 5%, 12%, 18%, and 28%, into a two-rate structure of 5% and 18%.

Global Market Updates

- US equity markets mostly ended the week on a positive note as July job openings declined, signalling a softening labor market and boosting hopes of a September rate cut. However, gains were capped by trade uncertainty, and stocks later fell after a weak August jobs report raised concerns about economic slowdown, even as rate cut expectations strengthened.
- European equity markets ended on a mixed note supported by gains in defense and healthcare after a US court ruled many tariffs illegal. However, broader gains were capped as investors weighed weak August US jobs data and its implications for the economic outlook.
- Brent oil prices declined from USD 67.22 per barrel to USD 65.5 as oversupply concerns intensified ahead of the OPEC+ alliance's meeting on Aug 7, 2025, where plans for an output increase are reportedly in place.

Macro Data & Domestic News Released During the Week

- As per government data, Goods and Services Tax (GST) collection in August 2025 rose 6.5% YoY to over Rs 1.86 trillion.
- As per data from S&P Global, India's manufacturing sector saw a strong growth, with the HSBC India Manufacturing Purchasing Managers' Index (PMI) rising to 59.3 in August 2025.
- According to CRIF High Mark, India's consumption loan portfolio clocked a 14.5% YoY growth to touch Rs 105.6 trillion in Q1 FY26.
- The 56th Goods and Services Tax (GST) Council meeting, chaired by Finance Minister Nirmala Sitharaman, has announced that GST rates will be reduced to 5% and 18%. Most of the items useful for common man have been moved to 5% slab.
- According to S&P Global, the HSBC India Services Purchasing Managers' Index (PMI) climbed to 62.9 in August 2025, up from 60.5 in July 2025.

Outlook

Going forward, the Indian equity market is likely to be driven by any moves around India-US trade deals, movement in the US Dollar index, improvement in consumption demand post the proposed GST slab rationalisation, FPI/DII flows, and strong liquidity support by the RBI. The US President Donald Trump has imposed about 50% tariff on India, including penalty due to India's trade relations with Russia which has led to volatility in sector exposed to US. There is still expectation of better trade deals that can come about in due course. The proposed GST rate rationalisation may support sectors that could be adversely impacted due to tariffs and act as a tailwind to the overall domestic consumption going ahead. The Fed Chair's remarks at the Jackson Hole Symposium hinted at the possibility of a softening in their stance which could improve liquidity in the US markets, bring the dollar index down, which, in turn, could direct flows towards Emerging Markets. Overall, the Q1 FY26 GDP numbers beat the expectations with 7.8% YoY growth on the back of low inflation, strong central and state capex along with signs of pickup in private consumption which could sustain going forward due to a lower base and contained inflation, while a lot will also depend on how US tariffs play out along with the impact of GST rate rationalisation.

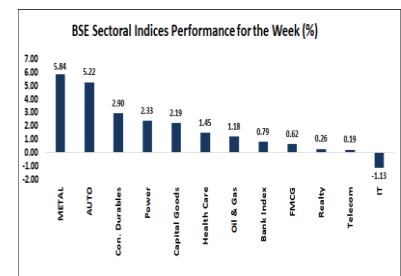
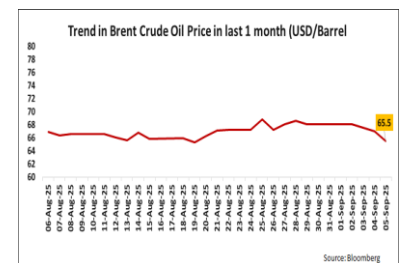
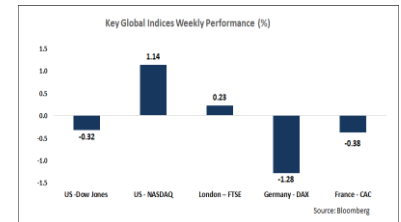
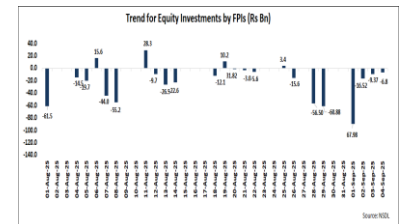
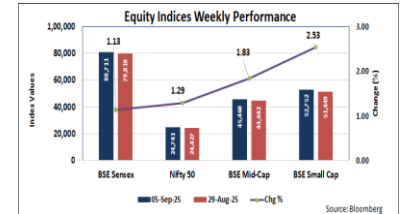
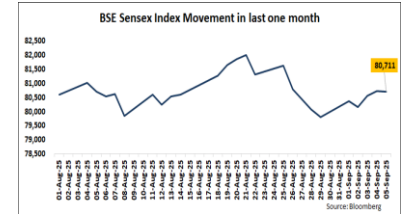
Quarterly earnings for Q1 FY26, have been mostly in line with expectations, but expectations too had been toned down. Notably, small caps have been a laggard. There is a possibility that consumers could postpone their spending in anticipation of lower prices due to GST cuts, which could dent the Q2 FY26 earnings. Benefits of RBI's policy measures is likely to be visible in the next couple of quarters. Companies linked to rural India have been able to deliver improved performance.

With a low base, any pickup in consumption demand due to GST rationalisation, or further meaningful support provided by the RBI could help drive superior earning performance which is likely to also ensure better equity market performance.

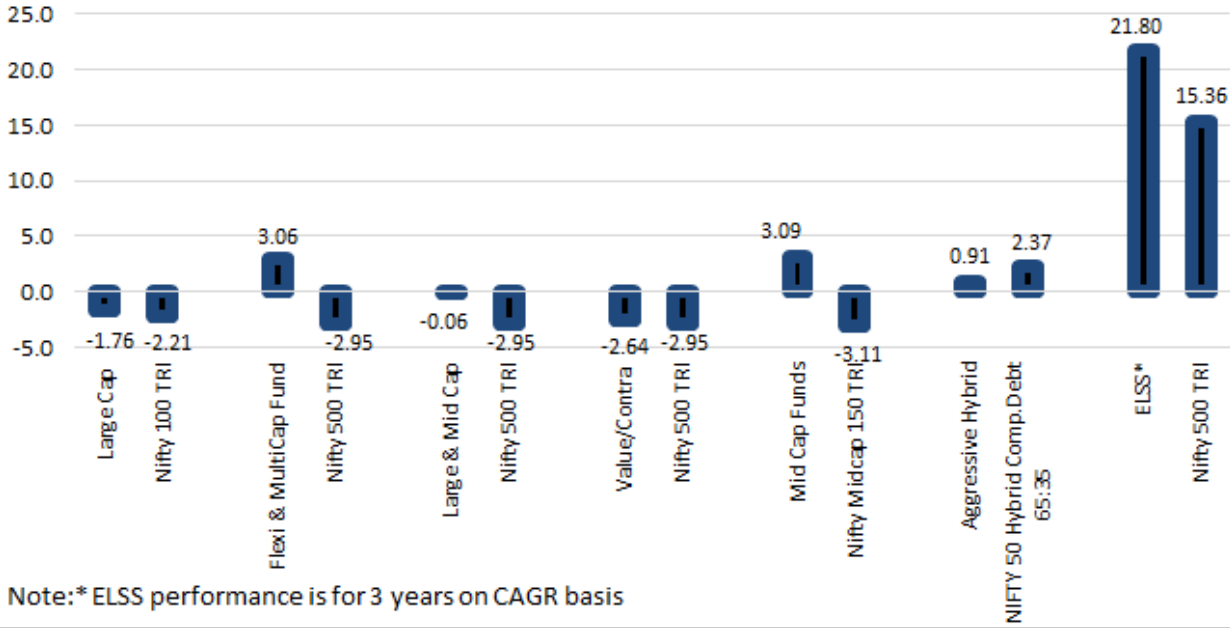
With rich valuations, incoming US tariff related weakness and continued weakness in urban demand, the Indian equity markets seem to be in consolidation mode post the recent up-move. The supply from FPIs and the Primary markets on the back of rich valuations seem to be weighing down on the market performance. The Government on its part has rationalised GST rates to improve domestic consumption. Market participants also expect further policy rate cuts by the RBI to keep growth buoyant. If further support comes about, or if tariffs get re-negotiated, or we get favourable tariffs with EU (negotiations ongoing) the markets are likely to take that positively. Currently, the markets are getting narrower and opportunities seem to be available in the set of stocks which have been able to deliver incrementally better revenue/earnings growth. Also, with no specific sector showing broad-based and continued momentum, Fund Managers who are able to be fairly nimble and identify growth ideas could generate alpha vs their peers.

In terms of deployment strategy, we are cautiously optimistic to maintain our investment deployment strategy of 50% Lumpsum and 50% staggered over the next 5-6 months, as Indian macros still remain amongst the best in the world and any near term volatility could be used by investors to add to their exposures. Fund managers who can pick out companies with superior growth prospects are likely to outperform vs pure value pickers in the medium-term.

On allocations in Equity Mutual Fund perspective, investors could look at investing across Largecaps, Flexicap, Large and Midcap, Hybrid equity, Business cycle funds and using STPs as an instrument to invest in Smallcap/Midcap/Multicap funds; in line with their risk profile and product suitability from a 2-3 years' time horizon.



Avg. Returns of Recommended Funds vs Benchmark in last one year (Absolute %)



Returns Absolute %			Returns Compounded Annualised %			
Category Average of Recommended Funds	1 Month	6 Months	1 Year	2 Years	3 Years	5 Years
Large Cap Funds	0.39	11.27	-1.76	16.95	16.94	20.60
Flexi Cap Funds	1.65	16.33	3.06	23.30	21.33	23.84
Multi Cap Funds	1.53	15.86	-3.46	18.87	21.82	29.50
Large & Mid Cap Funds	1.13	15.38	-0.06	23.22	22.20	25.17
Mid Cap Funds	0.85	17.80	3.09	25.67	26.36	30.07
Small Cap Funds	-0.62	16.24	-7.13	19.17	23.49	30.56
Value/Contra Funds	0.16	12.58	-2.64	19.74	21.26	26.61
Focused Funds	1.16	13.34	0.03	20.18	19.64	25.29
Aggressive Hybrid Funds	0.21	9.62	0.91	15.87	16.08	19.64
Dynamic Asset Allocation Funds	0.33	8.10	2.48	14.41	14.32	16.79
Equity Linked Saving Schemes	-0.22	13.03	-2.20	22.02	21.80	24.40
Business Cycle Funds	1.24	16.48	4.56	23.21	22.00	--
Nifty 50 Index TRI	0.54	11.71	-0.37	13.78	13.17	18.30
Nifty 500 TRI	0.27	13.47	-2.95	16.14	15.36	20.70
Nifty Infrastructure TRI	-0.80	14.53	-3.03	22.29	21.45	24.44

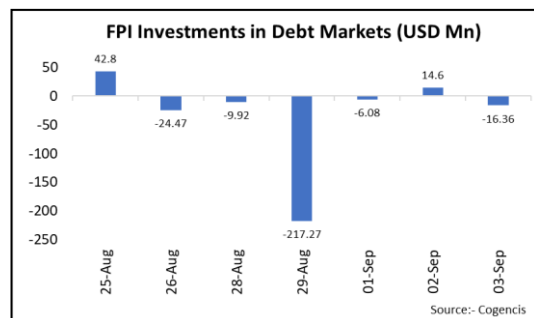
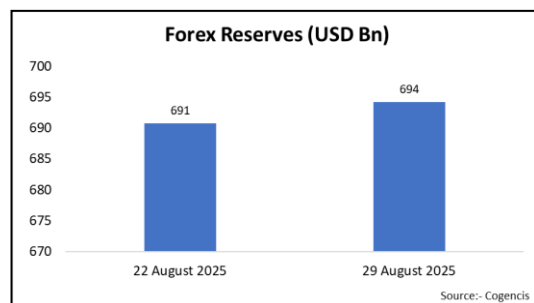
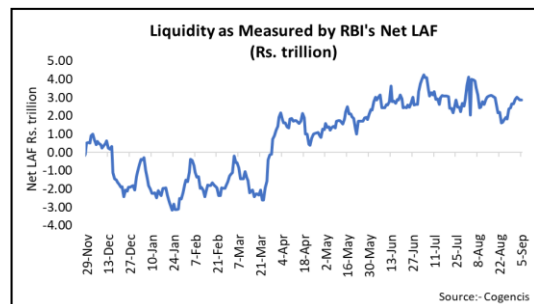
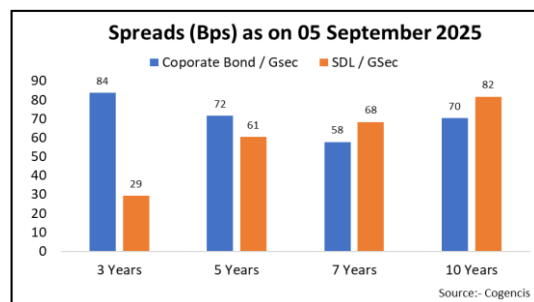
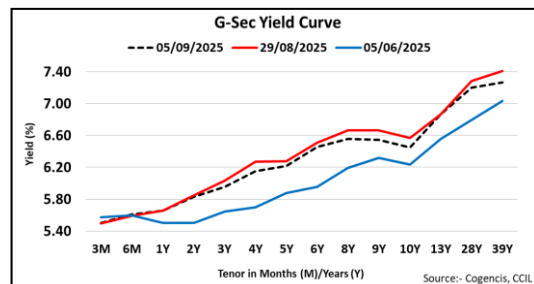
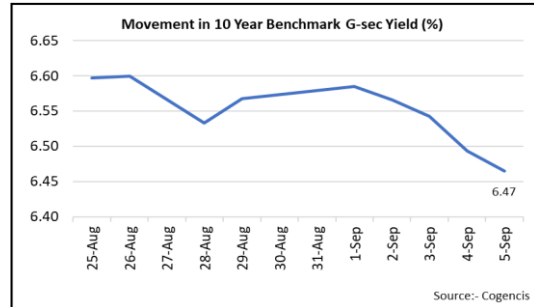
Note: Data as on September 5, 2025. Returns less than 1 year are in absolute % terms, whereas returns above 1 year are in CAGR terms. Data has been sourced from ICRA Analytics Ltd. (For Disclaimer of ICRA Analytics Ltd, refer to <https://icraanalytics.com/home/disclaimer>)

Weekly Overview - Fixed Income Markets & Mutual Funds for week ended 5 September 2025

- Domestic G-Sec prices closed the week ended 5th September 2025 on a positive note wherein the yield on the 10-year benchmark, the 6.33% G-Sec 2035 bond, closed lower by 10 bps at 6.47% as against its previous weekly close of 6.57% on 29th August 2025.
- In case of AAA rated corporate bonds, yields in the less than one-year segment rose up to 20 bps on a WoW basis. In case of the greater than one-year segment, yields fell up to 23 bps on a WoW basis.
- Movement in G-sec yields :-**
 - Indian G-sec yields declined, driven by optimism of a potential reduction in longer dated debt supply in H2 FY26. Yields went down further after the government projected a lower than initially expected net revenue loss from the recent Goods and Services Tax (GST) revision, easing fiscal concerns.
 - The total G-sec supply for the week stood at Rs 540.83 bn (SDLs + G-secs). In this, the G-secs' auction was to the tune of Rs 250 bn and the maturities were in the range of 7-49 years. There was no 10-year G-sec this week. The SDLs' auction was to the tune of Rs 290.83 bn and the maturities were in the range of 2-38 years. The average cut off yield for 10-year SDL was 7.66% against 7.36% in the previous week. The G-secs' auction was for the following: 6.28% GS 2032 and 7.09% GS 2074.
 - Banking system liquidity improved substantially, wherein liquidity, as measured by the RBI's net Liquidity Adjustment Facility (LAF), stood at a daily average surplus of ~Rs 2.93 trillion during the week as against a daily average surplus of ~Rs 2.07 trillion during the previous week.
- Macro Data released during the week :-**
 - The 56th GST Council meeting announced that GST rates will be reduced to 5% and 18%. Most of the items useful for common man have been moved to 5% slab. The two-rate GST structure will kick-in from September 22, 2025.
 - According to the RBI, India's Current Account Balance slipped into a deficit of USD 2.4 bn, or 0.2% of GDP, in Q1 FY26. In contrast, it had posted a surplus of USD 13.5 bn (1.3% of GDP) in Q4 FY25. The CAD stood at Rs 8.6 bn (0.9% of GDP) in Q1 FY25. The decline in CAD was driven by a higher services trade surplus.
 - As per RBI data, India's forex reserves jumped by USD 3.51 bn to USD 694.23 bn for the week ended August 29, 2025. The overall reserves had dropped by USD 4.39 bn to USD 690.72 bn in the previous reporting week. Foreign currency assets increased by USD 1.69 bn to USD 583.94 bn.
- Other macro-economic news :-**
 - According to BMI, a Fitch Solutions company, after a better-than-expected 7.8% YoY growth in Q1 FY26, the front-loaded government spending and exports are likely to begin to unwind significantly in Q2 FY26. However, they expect the private sector to offset weaker government spending.
 - As per government data, GST collection in August 2025 rose 6.5% YoY to over Rs 1.86 trillion with increased domestic sales, and the upcoming festive season is likely to swell the kitty going forward. The August GST mop-up is, however, lower than Rs 1.96 trillion collected in July 2025.
 - According to a senior Finance Ministry official, the Centre is confident of containing its FY26 Fiscal Deficit at the budgeted level of 4.4% of GDP despite potential revenue losses from the reduction in GST rates.
- Global Updates :-**
 - According to the US Labor Department, initial jobless claims in the US climbed to 237,000 in the week ended August 30, 2025, an increase of 8,000 from the previous week's unrevised level of 229,000. Economists had expected jobless claims to inch up to 230,000.
 - As per US Labor Department, non-farm payroll employment in the US rose by 22,000 jobs in August 2025 after climbing by an upwardly revised 79,000 jobs in July 2025.
 - As per flash data from Eurostat, Eurozone inflation rose marginally but the rate remained near the European Central Bank's 2% target. The Harmonized Index of Consumer Prices rose 2.1% YoY in August 2025, slightly faster than the 2.0% YoY increase in July 2025. Core inflation held steady at 2.3% YoY.
- Outlook :-**

The liquidity condition, as measured by RBI's net LAF, improved over the previous week and was comfortably in surplus. RBI conducted Variable Rate Reverse Repo (VRRR) auctions cumulatively worth Rs 2 trillion to absorb excess liquidity and align call money rate with the Repo rate. In its 6th August 2025 MPC meeting, the RBI had kept policy rates unchanged, moving to a 'wait-and-watch' approach while continuing with their neutral stance. The RBI had also revised their inflation outlook for FY26 downward to 3.1% from 3.7% projected earlier on the back of benign inflation outlook, while keeping growth projection same as earlier at 6.5%. Retail inflation in India eased further as the Consumer Price Index (CPI) fell to 1.55% YoY in July 2025 from 2.10% YoY in June 2025. India's Gross Domestic Product (GDP) grew by 7.8% YoY in Q1 FY26, which was above RBI's projection of 6.5% YoY. Going forward, growth-inflation dynamics will continue to determine the necessity of further policy actions by the RBI. **The lower tax structure announced as part of GST rationalization is expected to weigh down on inflation further, providing RBI enough space to look at policy easing.** In the interim, the projection of lower-than-expected revenue loss from GST rationalization and expectations of a lower supply of longer dated securities in the H2 FY26 borrowing calendar has been viewed positively by market participants. **In the US, Fed Chair Jerome Powell gave subtle hints towards rate cuts in his Jackson Hole Speech.** Going forward, developments around a Bi-lateral Trade Agreement with the US along with Fed's policy decisions and forward commentary on future policy easing are expected to remain key driving factors for market sentiments and capital flows.

Despite the recent contraction in term spreads, the current G-Sec term spreads at the longer end remain attractive tactically for Dynamic bond funds and Gilt funds which have positioned their portfolio 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-secs. 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 15 months and above. For a horizon of 24 months and above, investors may consider Income Plus Arbitrage FoF or consider Dynamic Bond Funds and Gilt 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 can also look at Multi-asset Allocation Funds for a horizon of 36 months and above. Investors should invest in line with their risk profile and product suitability.



Category Average Returns as on 5 September 2025

Annualised Returns *	1 Day	1 Week	1 Month	2 Month	3 Months	6 Months	9 Months	1 Year	2 Year	3 Year
Overnight Funds	5.21	5.19	5.25	5.24	5.22	5.59	5.90	6.08	6.39	6.36
Liquid Funds	5.59	5.42	5.45	5.41	5.71	6.45	6.67	6.83	7.03	6.90
Floater Funds	27.72	11.55	1.18	3.53	3.98	8.78	7.86	8.04	7.96	7.61
Low Duration Funds	7.28	5.17	3.84	4.85	5.67	8.10	7.58	7.64	7.36	7.07
Money Market Funds	5.42	4.64	4.78	5.21	6.02	7.95	7.61	7.60	7.41	7.17
Ultra Short Duration Funds	5.30	4.76	4.78	5.14	5.81	7.19	7.01	7.08	6.99	6.77
Banking And PSU Funds	31.37	9.95	-1.14	2.21	2.14	8.78	7.57	7.82	7.63	7.11
Corporate Bond Funds	32.06	12.33	-1.06	2.48	2.48	9.17	7.87	8.18	7.86	7.34
Medium Duration Funds	40.36	18.20	-0.56	3.38	2.81	9.04	8.08	8.43	8.04	7.39
Short Duration Funds	27.40	10.39	0.09	2.91	3.22	8.76	7.78	8.05	7.69	7.23
Medium To Long Duration Funds	69.56	35.17	-7.17	-1.73	-3.21	6.80	5.68	6.25	7.14	6.75
Long Duration Funds	162.72	72.00	-14.89	-5.59	-10.55	4.51	3.00	4.30	7.38	7.56
Dynamic Bond Funds	81.90	38.14	-6.68	-1.52	-3.95	7.06	5.55	6.28	7.37	6.93
Credit Risk Funds	22.70	11.91	2.95	4.58	4.93	12.17	11.03	10.54	9.41	8.45
Gilt Funds / Gilt Funds with 10 year constant duration	132.57	65.79	-9.56	-3.53	-6.85	6.15	4.82	5.78	7.38	7.02
Conservative Hybrid Funds	43.25	32.79	-1.67	-2.07	0.20	10.91	4.34	4.63	9.17	8.77
Index Funds	27.60	11.99	-0.61	2.68	2.69	8.33	7.69	7.84	8.01	7.31
Arbitrage Funds	-19.87	4.33	4.06	4.90	5.51	6.17	6.18	6.43	6.94	6.78

* Return figures for all schemes are Annualised for < 1 year and Compounded Annualised for >= 1 year

Recommended Funds' Average Returns (% Annualised Returns)	1 Months	3 Months	6 Months	1 Year	2 Year	3 Year
Medium to Long Duration Funds & Long Duration Funds	-9.05	-4.45	7.04	6.88	7.84	7.26
Dynamic Bond Fund	-7.65	-4.28	7.38	6.21	7.49	7.10
Gilt Funds & Gilt Funds with 10 year constant duration	-6.97	-4.83	7.24	6.68	7.89	7.61
Short Duration / Medium Duration	-0.70	3.08	8.92	8.21	7.96	7.40
Banking and PSU Funds	-1.58	1.99	8.76	7.89	7.72	7.33
Corporate Bond Funds	-1.91	1.94	9.01	8.23	8.09	7.65
Ultra Short Duration Funds /Low Duration / Floater Funds	4.84	6.13	7.88	7.65	7.53	7.33
Money Market Funds	4.93	6.17	8.25	7.89	7.71	7.48
Liquid Funds & Overnight Funds	5.48	5.76	6.56	6.92	7.12	6.99
Arbitrage Funds	4.23	5.81	6.54	6.76	7.24	7.16

Please Note that all the Dividend options factor in the taxation applicable for corporates
Return figures for all schemes are Annualised for < 1 year and Compounded Annualised for >= 1 year
Returns shown in the chart above are for growth options.
Source for entire data stated above is Accord Fintech Pvt Ltd

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