HDFC MUTUAL FUND
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MARKET REVIEW

November - 2025

Macroeconomic Update

The US growth remained steady although the overall picture remains hazy due to paucity of data due to government shutdown. Labour market showed mixed signs with September NFP rising by more than expected while previous two months numbers were revised lower. While October and November month labour market related data is delayed, other proxy indicators like initial jobless claims were holding up well. However, the ADP private payroll data came in weaker than expected. November Manufacturing PMIs gave mixed signals with S&P PMI improving and staying in expansionary zone while ISM manufacturing deteriorated and remained in contractionary territory. As the US government shut down has ended, picture on the US economy will be clearer henceforth. On the other hand, China growth momentum slowed down with retail sales, industrial profits, etc. moderating and fixed assets investments growth decelerating sharply. PMIs also remained in contractionary zone. Eurozone remained steady supported by services sector as reflected in PMIs.

Inflation remained within a narrow range and largely on expected lines across most major economies. US Fed which reduced the rate by 25 bps in its October meeting is expected to cut further in December 2025 as per current market pricing. Both European Central Bank (ECB) and Bank of Japan (BoJ) kept policy rates on hold along expected lines.

India's Real GDP shoots up on broad based strength; Nominal GDP growth remains muted: GDP growth in Q2FY26 came in significantly stronger than market expectations driven by broad based resilience and a favourable base. Private consumption grew close to 8% as tax cuts and early festive season boosted demand. Further, GFCF grew at a healthy pace on back of robust government capex. However, this was partially offset by contraction in government revenue spending and strong imports. GVA grew by equally strong pace on back of robust industrial and services growth. While festive season led production growth boosted manufacturing, services growth was driven by PADO and growth in financial & real estate services. Further, the construction sector continues to grow at a healthy pace driven by growth in government capex.

Nominal GDP growth has moderated substantially over the past couple of quarters as the deflator which is a combination of WPI and CPI has been near historical lows. While real GDP growth is largely tracked, the weakness in nominal GDP is equally important as it has implications on corporate profitability, government debt to GDP and tax collections.

Quarter ended (YoY, %)	Jun-25	Sep-25		Jun-25	Sep-25
GDP	7.8%	8.2%	**GVA**	7.6%	8.1%
Private Consumption	7.0%	7.9%	Agriculture, Forestry and Fishing	3.7%	3.5%
Government Consumption	7.5%	-2.7%	Industry	6.3%	7.7%
Gross Capital formation	7.3%	5.1%	Manufacturing	7.7%	9.1%
Gross Fixed Capital Formation	7.8%	7.3%	Construction	7.6%	7.2%
			Services	9.3%	9.2%
Exports	6.3%	5.6%	Trade, Hotels, Transport, etc.	8.6%	7.4%
Imports	10.9%	12.8%	PADO	9.8%	9.7%

Source- CEIC, MoSPI, Ambit Capital research. Note – PADO: Public Administration, Defence & Other Services 2) GFCF- Gross Fixed capital Formation

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Macroeconomic Update (contd...)

High frequency indicators holding up well in November: The recent activity indicators suggest that growth continues to hold up well over the past two months led by consumption. The retail auto registration growth was buoyant post the GST rate cuts in September while digital spending continued to grow at a healthy pace. However, some moderation was observed in the economic indicators with PMIs decelerating while power demand contracting YoY partly due to extended monsoon. GST collections growth was flat YOY mainly due to rate rationalisation.

Indicators	Units	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25
Retail registration - Auto@									
2W	YoY, %	2.8	7.8	5.2	-6.1	2.7	7.1	52.4	-3.0
PV		6.0	0.1	5.6	1.9	3.9	9.2	14.1	19.5
MHCV		-1.5	-7.4	0.4	-4.3	-0.7	-4.3	1.5	23.5
LCV		-4.1	-3.7	9.2	0.0	7.7	4.2	28.9	19.6
Tractors		7.2	2.1	8.3	11.2	32.1	4.0	13.7	58.4
Gross GST Collection		12.6	16.4	6.2	7.5	6.5	9.1	4.6	0.7
Average E-Way bill generated		23.4	18.9	19.3	25.8	22.4	21.0	8.2	
Power demand		2.2	-4.9	-1.5	2.1	4.3	3.2	-6.0	-0.8
Digital Spending (UPI + IMPS)		18.0	19.0	16.5	18.2	16.8	17.4	13.1	19.7
Railway Freight Tonnage		3.6	2.7	0.9	0.04	8.5	3.9	4.6	6.9
Manufacturing PMI^	Index	58.2	57.6	58.4	59.1	59.3	57.7	59.2	56.6
Services PMI^	Index	58.7	58.8	60.4	60.5	62.9	60.9	58.9	59.8
Unemployment *	%	7.7	6.7	7.1	7.1	6.3	6.4	7.5	6.5

Source: www.gstn.org.in, www.icegate.gov.in, CMIE, PIB, RBI, www.vaahan.parivahan.gov.in, www.posoco.in
^Number >50 reflects expansions and number <50 reflects contraction compared to previous month. @ - figures are preliminary data and are subject to revision. * based on CMIE survey

While the GST rate rationalization has aided the consumption boost in the past two months, future sustenance of the same remains to be seen and is likely to determine the growth trajectory in coming quarters. In view of the strong growth in H1FY26, FY26 growth is likely to be higher than 7%, although the growth rate is likely to decelerate in H2FY26. Global trade uncertainties, elevated US tariff on Indian imports and unseasonal rains can act as a near term headwinds.

Risk of fiscal slippage rises, but still manageable: Direct tax collections growth picked up in last few months led by improvement in personal income tax collections. However, on FYTD basis, the growth is still soft and weaker than expected in budget. The slowdown in tax collection is partly driven by reduction in income taxes announced in the budget. Further, Indirect tax growth moderated due to weakness in GST collections. This is partly due to IGST sharing settlement between Centre and states being preponed vis a vis last year. Centre continues to exercise restraint in revenue spending which was flat yoy while capex spending continues to grow at a healthy pace. Consequently, fiscal deficit has widened to 53% of BE in the first seven months compared to 47% of BE during the same period last year.

FYTD ending	Oct-2024	Oct-2025	Change (YoY)
Gross tax revenue	20,326	21,144	4.0%
Total Direct Tax	11,143	11,828	6.1%
Total Indirect Tax	9,183	9,316	1.4%
Less: Share of states & others	7,277	8,401	15.5%
Net Tax collection	13,050	12,743	-2.4%
Non-Tax Revenue	3,993	4,891	22.5%
Total Revenue Receipts	17,043	17,634	3.5%
Total Capital Receipts	188	371	97.2%
Total Receipts	**17,231**	**18,005**	**4.5%**
Total Revenue Expenditures	20,074	20,079	0.0%
Total Capital Expenditures	4,665	6,177	32.4%
Total Expenditures	**24,739**	**26,256**	**6.1%**
Gross Fiscal deficit	**-7,508**	**-8,251**	**9.9%**
Fiscal deficit as % of BE	**46.5%**	**52.6%**	

Source: CMIE

In view of weakness in tax collection and GST rate rationalization, risk of tax collections under shooting the budgeted target remains high. Further, given the weakness in nominal GDP growth, the deficit as % of GDP could be higher than budget estimates. However, this is likely set off by the higher RBI dividends, lower state devolutions and possibility of lower spending. Overall, we believe the risk of fiscal slippage has increased, although issuance of additional dated market borrowing remains low as this can be managed by higher small savings, improvement and / or usage of government cash balance.

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Macroeconomic Update (contd...)

Current account widens; capital account remains supported by FDI: The Current account deficit widened to 1.2% of GDP in Q2FY26 led by rise in gold imports as gold prices reached near all-time high. Further, the NONG imports also rose sharply due resilient domestic demand while exports were impacted due to US tariffs. Invisible exports grew at a healthy pace on back of robust growth in exports of software services and other business services. Capital account was relatively sanguine as FII outflows turned negative. This was set off by modest FDI inflows along with trade credits, external commercial borrowings and NRI deposits.

India's external situation (USD bn)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Trade (Deficit) / Surplus	**-88.5**	**-79.3**	**-59.3**	**-68.9**	**-87.4**
Net Oil Imports	-25.5	-35.7	-30.2	-32.2	-29.5
Net Gold Imports*	-20.1	-17.0	-7.2	-6.5	-18.7
Trade deficit ex oil & gold	-42.9	-26.6	-21.9	-30.2	-39.2
Net Invisibles exports Surplus / (Deficit)	**67.7**	**68.0**	**73.0**	**66.2**	**75.2**
Current account Surplus / (deficit)	**-20.8**	**-11.3**	**13.7**	**-2.7**	**-12.3**
% of GDP	**-2.2%**	**-1.1%**	**1.3%**	**-0.3%**	**-1.2%**
Capital Account Surplus / (Deficit)	**39.4**	**-26.3**	**-4.9**	**7.2**	**1.4**
FDI	-2.8	-2.8	0.4	4.9	2.9
FII	19.9	-11.4	-5.9	1.6	-5.7
NRI deposits, External assistance etc.	6.2	3.1	2.8	3.6	2.5
Trade credits, ECBs, etc.	7.3	8.4	3.6	4.5	2.9
Banking capital	-0.4	-12.9	-11.6	-5.2	-0.5
Others	9.3	-10.8	5.8	-2.1	-0.6
Balance of Payments	**18.6**	**-37.7**	**8.8**	**4.5**	**-10.9**

Despite widening trade deficit, current account is expected to remain within manageable range in our view supported by healthy growth in services exports. However, subdued net FDI due to exits by Private equity and foreign promoters selling along with weakness in FII flows might weigh on the capital account. Thus, BoP is likely to remain negative in FY26 but within manageable levels in view of the large forex reserves.

Trade deficit widens sharply in October 2025: Merchandise trade deficit widened sharply in October 2025 compared to the previous month led mainly by higher precious metal imports (gold and silver). This was partly seasonal in nature too as festive season results in higher imports of gold and silver. Further, the NONG imports also rose on back of higher imports on transport equipment, machinery and metals..

Amount in USD billion	Sep-25	Oct-25	Change
Trade Deficit / (Surplus)	**32.1**	**41.7**	**29.7%**
Net Oil Imports	9.1	10.8	19.5%
Net Gold Imports*	9.9	16.2	63.8%
NONG net imports^	13.2	14.6	11.1%

Source: CMIE, Ministry of Commerce; *Net Gold includes gold, silver and pearls precious & semiprecious stones adjusted for gems and jewellery exports.
^NONG refers to Non-Oil Non-Gold (as defined above) imports/exports

While we expect the trade deficit to narrow in the coming months, it is likely to face headwinds in view of continuing elevated US tariffs along with resilient domestic demand keeping imports high. However, healthy growth in services exports is likely to keep current account within manageable range.

Retail inflation remains benign: India's CPI inflation in October declined to 0.3%, lowest since the beginning of the series in 2012. Bulk of the easing in inflation was driven by fall in food prices led by vegetables and pulses. Further, the transportation and communication inflation eased to 0.9% YoY on back of lower price of vehicles – car as well as two wheelers. Core inflation however inched up driven by sharp YOY rise in gold and silver. Excluding the same, the core inflation has eased to ~2.8% from 3.3% last month.

YoY, %	Sep-25	Oct-25	Change in %
CPI	1.4	0.3	-1.1
Food & beverages	-1.4	-3.7	-2.3
Fuel and Light	2.0	2.0	-
Housing	3.0	3.0	-
Transportation & communication	1.8	0.9	-0.9
Core-Core CPI@	3.3	2.8	0.5

Source: CMIE; @-CPI excluding food, fuel, Petrol & Diesel, Gold and Silver

CPI inflation is likely to remain below 4% in the coming months due to favourable outlook on food inflation and favourable base effect.

Macroeconomic Update (contd...)

Commodity prices: Oil prices settled lower as geo-political tensions eased amidst hope of an end to Russia Ukraine war. As global demand conditions remain tepid and the Chinese construction sector in the midst of a slowdown, steel prices continue to decline. On the other hand, China's tightening of zinc and copper supply continues to drive rally in the prices of industrial metals.

	Market price (USD)*	Nov'25 (%)^	FY26TD (%)&
Brent Crude (per barrel)	63	-2.9	-15.4
Gold (per ounce)	4,239	5.9	35.7
Steel (per tonne)	466	-0.9	0.3
Zinc (per tonne)	3,280	4.4	15.6
Copper (per tonne)	11,004	0.9	13.8
Aluminium (per tonne)	2,842	-1.3	12.9
Lead (per tonne)	1,955	-2.3	-2.3

Source: Bloomberg; *Market prices as on Nov 30, 2025. ^Y-o-Y change.
& - Change in FY26YTD

Summary and Conclusion:

Global trade tensions eased after the United States and China agreed for framework for resolving trade related issues. Despite this progress, trade-related uncertainties remain elevated, particularly for countries like India, which continues to face some elevated U.S. tariff rates. In the U.S., economic growth is being supported by strong investments in artificial intelligence. However, the recent government shutdown has led to a scarcity of fresh economic data, making it challenging to evaluate economic conditions. However, this should resolve as the data releases are likely to start with an end of government shutdown. Meanwhile, domestic demand in China remains weak, and investments growth has also decelerated sharply.

Robust growth in India continued as reflected in over 8% real GDP growth in Q2FY26. Further, growth momentum remains resilient, as reflected in recent high-frequency indicators. Urban demand is likely to stay strong, supported by income tax relief, GST cuts, and monetary easing by the RBI. Rural consumption should also hold firm, aided by an above-normal monsoon, easing inflation, and rising real rural wages. However, with elevated US tariff growth is expected to moderate in the second half of the fiscal year. On the external front, India's position remains comfortable, underpinned by a low current account deficit and healthy foreign exchange reserves. Nevertheless, escalating geopolitical tensions and persistent tariff-related uncertainties remain key near-term risks.

Looking ahead, the medium-term outlook for India's economy seems optimistic, in our view. This optimism is driven by bi-lateral trade deals with various countries, Governments renewed efforts for structural reforms, enhanced infrastructure investments, and the likely boost to private consumption.

Equity Market Update

For Indian equity markets, the month of November saw rally for large and mid-caps while small caps declined. While NIFTY 50 / Nifty mid-cap Index ended the month with 1.9% and 2% gain respectively, small cap indices witnessed sharp fall of 3%. IT, Auto and Banks outperformed while Power, Metals and Capital goods underperformed.

Almost all global equity markets either remained flat or declined during the month. Below are detailed tables outlining the performance of key domestic and global indices:

% Change in Indices	Nov-25	FY26TD^
BSE Information & Technology	3.7	0.5
BSE Auto	3.1	29.4
BSE Bankex	3.1	12.4
BSE Healthcare	0.8	8.4
BSE Fast Moving Consumer Goods	-1.2	4.9
BSE Oil & Gas	-1.5	12.2
BSE Capital Goods	-1.7	10.3
BSE Metal	-2.9	10.7
BSE Power	-4.5	0.4
BSE Sensex	2.1	**10.7**
NSE Nifty 50 Index	1.9	**11.4**
NIFTY Midcap 100	2.0	**18.1**
NIFTY Smallcap 100	-3.0	**10.8**

% Change	Nov-25	FY26TD^	CY25TD^
S&P 500	0.1	22.0	16.4
FTSE 100	0.0	13.3	18.9
CAC 40	0.0	4.3	10.1
Hang Seng	-0.2	11.8	28.9
DAX	-0.5	7.5	19.7
NASDAQ Composite	-1.5	35.1	21.0
Shanghai Composite	-1.7	16.6	16.0
MSCI Emerging Markets	-2.5	24.1	27.1
Nikkei 225	-4.1	41.1	26.0
KOSPI	-4.4	58.3	63.6

Source: Bloomberg; ^Returns in FY26TD and CY25TD

FIIs bought net equities worth USD 0.04 billion in November 2025 (October 2025: USD 1.2 billion) and have cumulatively sold equity worth USD 2.7billion in 8MFY26 (8MFY25: Net sold USD 3.4 billion).

DIIs bought net equity worth USD 8.7 billion in November 2025 (October 2025: USD 6.0 billion) and have cumulatively bought USD 60 billion in 8MFY26 (8MFY25: USD 45.8 billion). Net flows into Mutual funds were ~INR 29,032 crore in October 2025 (September 2025: ~INR 36,653 crore & October 2024: ~INR 47,696 crore) cumulatively amounted to ~INR 231,109 crore in 7MFY26 (7MFY25: ~INR 274,910 crore).

Outlook

As on November 28, 2025, NIFTY 50 Index was trading at ~20.5x price to earnings multiple. Further, Market cap-to-GDP stood ~121% (based on CY26 GDP estimates) and the gap between 10Y G-sec yield and 1Y-Forward NIFTY 50 Index earnings yield* has widened recently [*Earnings yield = 1/ (one year forward P/E)*].

Chart 1

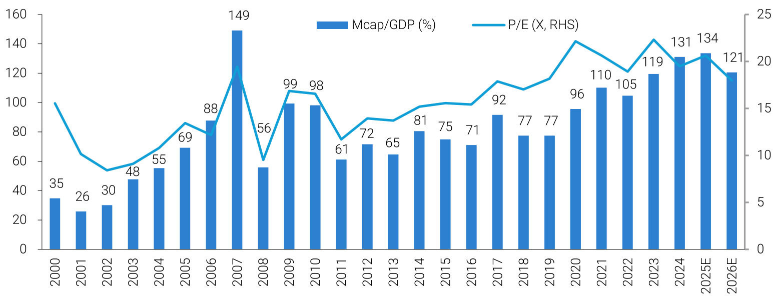
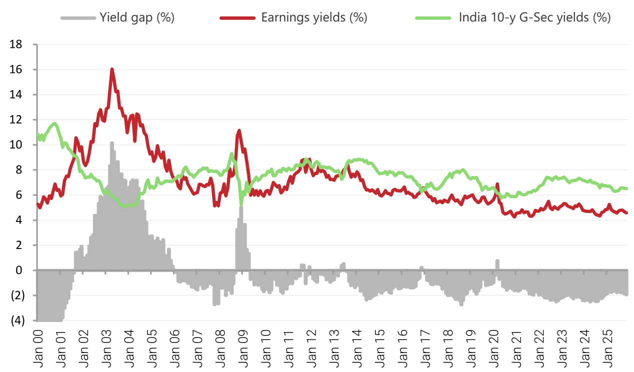


Chart 2



Source: Kotak Institutional Equities; For 2025 and 2026, the market cap as on November 28, 2025 is taken and divided by GDP estimates for CY25/CY26

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Equity Market Update (contd...)

As of November 28, 2025, the valuations of all sectors except Private Banks are trading at a premium to historical average (refer to the table below for details):

	12 months forward Price To Earnings		
	28-Nov-25	**LTA**	**Discount / Premium^**
Cement	40.5	30.8	31.7
Utilities	14.9	11.5	30.3
Industrials	34.3	27.2	26.1
PSU banks @	1.3	1.1	22.1
Pharma	29.5	24.3	21.5
Energy	15.1	12.7	18.2
Metals	11.6	10.1	14.6
Automobiles	24.1	21.5	11.7
Consumer Discretionary	59.8	55.2	8.3
FMCG	37.6	36.8	2.3
Tech	21.4	21.1	1.3
Pvt Banks @	2.4	2.8	-15.3

Source: Kotak Institutional Equities.
LTA – 10 Years average. Cells in green are sectors which are trading at premium. All figures are calculated based on 12 months forward estimates.
^to Long term (LT) average, @-Price to Book value

Given the global uncertainties and aggregate valuation being higher than historical average, the importance of stock selection increases even more.

Over medium to long term, we remain optimistic on Indian equities considering strong macroeconomic fundamentals, attractive domestic growth outlook, healthy corporate profitability, and supportive pro-growth policies like income tax and GST relief to consumers and renewed reform momentum. However, near-term risks include uncertainty over US India trade deal and cyclical moderation in corporate earnings.

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Debt Market Update

The Yield on 10-year benchmark Gsec fell by 2bps while that on 10-year AAA corporate Bonds was unchanged during the month. As a result, the spread between AAA 10-year corporate bonds and 10-year G-sec rose by 2bps. Key events / news which influenced yields during the month are better than expected Q2FY26 real GDP growth, series low CPI inflation print for October and Government notifying the new labour codes. The table below gives a summary view of the movement of key rates and liquidity:

	Oct-25	Nov-25	Change (%)
MIBOR Overnight Rate (%)	5.69	5.59	-0.10
3M Gsec yield (%)	5.46	5.36	-0.10
10Yr Benchmark G-Sec Yield^ (%)	6.53	6.51	-0.02
AAA 10Year Corporate Bond Yields#,& (%)	7.13	7.13	-
AAA 10Y Corporate bond spread against 10Y benchmark@ (bps)	60	62	2
Average net liquidity absorbed/infused by RBI* (INR billion)	855	1,782	108.4%

Source: Bloomberg, ^-bi-annual yield; #-annualised yield; & - Average yield of NABARD paper provided by independent valuation agencies has been taken. @ - Spreads calculated by subtracting non-annualised Gsec yields from annualised corporate bond yields.

*Average net daily liquidity infused / absorbed through Liquidity Adjustment Facility, exports refinance, marginal standing facility and term repos/reverse repos. Source: Bloomberg, RBI

Average net liquidity surplus improved to INR ~1,782 bn in November 2025 compared to an average surplus of INR ~855 billion in the month before driven by reduction in cash reserve ratio of 50 bps in two tranche of 25 bps each. This was partially set off by higher forex intervention by RBI and increase in currency in circulation.

FPIs remained net buyers of USD 0.5 billion in November 2025 (October 2025 net buy: USD 2 billion).

Outlook

In its latest monetary policy review, the RBI decided to reduce policy rate by 25 bps and announced upfront OMOs along with buy/sell swap of USD 5 bn which pleasantly surprised the market participants. Further, the commentary along with the press conference was viewed as considerably dovish. Consequently, the Gsec yield curve shifted lower with yields falling by a few bps on strong volumes. Going forward, RBI is likely to remain data dependent keeping one more rate cut hope alive in case growth or inflation surprises on the lower side. RBI also sounded comfortable with a benign inflation outlook – headline as well as core (especially excluding precious metals which contributed 50 bps)- citing structural factors at play despite resilient growth outlook.

The medium-term outlook on Indian fixed income market remains favourable, considering:

- Benign inflation outlook likely to persist and average near RBI's target of 4%
- Liquidity is likely to be in ample surplus in the coming few months in view of constant assurance by RBI governor to maintain sufficient surplus to meet the real economy needs
- External sector likely to remain comfortable in view of manageable CAD (on back of robust growth in services exports and healthy remittances) and adequate foreign exchange reserves
- Low risk of additional market borrowings, despite risk of fiscal slippage, as it can be managed by issuing short term cash management bills or using cash balance. Over the medium term, supply of market borrowings is likely to remain contained as government remains committed to its fiscal consolidation path
- Growth has likely reached its peak in Q2FY26, and impact of elevated tariffs and the durability of the consumption uplift following GST rationalisation remains uncertain
- US policy rates are expected to come down over next 12 months and could provide space for RBI to reduce rates

Key risks to the favourable outlook:

- Significant widening in fiscal deficit in view of GST rationalisation and slowing nominal GDP growth weighing on tax collections
- Weather related uncertainty leads to rise in food prices

Debt Market Update (contd...)

Overall, in our view, yields are likely to trend lower in view of congenial financial and monetary conditions. Subdued inflation, comfortable liquidity and proactive monetary policy are positives from yield perspective. Hence, one may consider investment in short to medium duration (schemes with duration of up to 5 years) categories especially corporate bonds focussed funds in line with individual risk appetite.

Moreover, as mentioned by RBI governor in his statement, "changes in the short-term interest rates will transmit to various long-term rates", we believe the spreads of longer-maturity bonds over 10-year G-secs could compress hence providing an opportunity for investors in long-duration space.

Source for various data points: Bloomberg, NSDL, CMIE, RBI, Kotak Institutional Research, World Bank, Daily valuation provided by ICRA/CRISIL

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Glossary

AE	Advanced Economies
BoE	Bank of England
BoJ	Bank of Japan
BoP	Balance of Payment
bps	Basis points
BE	Budget Estimates
CAGR	Compound Annual Growth Rate
CMIE	Centre for Monitoring Indian Economy
CPI	Consumer Price Index
CRR	Cash Reserve Ratio
CV	Commercial Vehicle
DIIs	Domestic Institutional Investors
EA	Euro Area
ECB	European Central Bank
FOMC	Federal Open Market Committee
FPI	Foreign Portfolio Investment
GDP	Gross Domestic Product
GFCE	Government Final Consumption Expenditure
GST	Goods and Services Tax
GVA	Gross Value Added
IMD	India Meteorological Department
INR	Indian Rupee
IMF	International Monetary Fund
IMPS	Immediate Payment System
JGB	Japanese Government Bonds
LCV	Light Commercial Vehicle
Mbpd	Million Barrels Per Day

MHCV	Medium and Heavy Commercial Vehicle
MIBOR	Mumbai Interbank Offered Rate
M-o-M	Month on Month
MPC	Monetary Policy Committee
MSP	Minimum Support Prices
NABARD	National Bank for Agriculture and Rural Development
NBFC	Non-Banking Financial Company
NFP	Non-Farm Payroll
NONG	Non-Oil Non-Gold
NSO	National Statistical Orgnization
OMO	Open Market Operation
PIB	Press Information Bureau
PLI	Production Linked Incentive
PMI	Purchasing Managers' Index
PPI	Producer Price Index
PSU	Public Sector Undertaking
PV	Passenger Vehicle
RBI	Reserve bank of India
RE	Revised Estimates
RRR	Reserve Ratio Requirement (for banks in China)
SLR	Statutory Liquidity Ratio
UPI	United Payments Interface
US	United States of America
USD	United States Dollar
UST	US Treasuries
YoY	Year on Year