

HDFC MUTUAL FUND
BHAROSA APNO KA

MARKET REVIEW

October 2026

Macroeconomic Update

The conflict in West Asia persisted through October 2026 with fresh strikes on Saudi energy infrastructure and commercial shipping in the Strait of Hormuz. This led to further rise in crude oil prices and combined with persistent El Niño weather anomalies constraining grain yields and ongoing fertilizer bottlenecks, food price pressures intensified across both developed and emerging markets. Despite external uncertainty, US economy accelerated to an annualized rate of 3.4% in Q3 2026, up from 2.2% in the second quarter, driven by resilient consumer spending, AI led capital investment, and government spending. US sovereign yields also retreated significantly during the month after hitting fresh highs during the start of the month as investors looked for safe haven amidst growing scepticism around the AI trade. Eurozone manufacturing PMI eased in October but remained firmly in expansion zone. On the other hand, China's factory activity contracted for the third time in four months, weighed down by sluggish domestic consumption and slowdown in export orders.

After hiking in September 2026, the Fed, ECB, and Bank of Japan all paused in October 2026. However, with inflation persisting above central bank targets, policymakers maintained a hawkish tone, keeping the door open for additional rate increases.

Economic activity remains resilient: The high frequency indicators for October 2026 suggest that economic activity continues to hold up well. GST collections and power demand growth scaled new highs during the month and while manufacturing PMI moderated in October compared to previous month, it remains firmly in expansion zone supported by robust export orders. Vehicle registrations however, contracted on YoY basis driven by a high base effect resulting from households deferring automobile purchases to October 2025 ahead of GST cuts last year. However, vehicle registrations rose 23% MoM in Oct 2026.

Indicators	Units	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26
Retail registration - Auto®									
2W	YoY, %	28.6	13.7	8.5	22.2	29.1	20.6	33.9	-28.4
PV		27.6	14.2	28.0	33.2	23.0	20.4	36.5	-14.6
MHCV		20.0	11.4	5.6	15.4	22.1	16.6	45.0	27.2
LCV		20.8	19.8	16.5	30.9	28.4	21.2	41.9	-8.6
Tractors		12.7	24.6	15.6	30.1	31.9	3.4	16.2	3.6
Gross GST collection (ex of cess) *		8.8	8.7	3.2	13.9	15.4	14.8	14.7	22.9
Average E-Way bill generated		12.9	11.8	10.9	14.5	6.0	7.7	7.2	23.1
Power demand		0.7	4.4	11.0	10.9	11.1	12.4	11.2	21.0
Digital Spending (UPI + IMPS)		17.4	19.5	16.8	18.5	17.8	19.6	18.0	16.2
Railway Freight Tonnage		3.7	-1.4	0.0	2.9	9.1	5.2	6.2	8.0
Manufacturing PMI^	Index	53.9	54.7	55.0	54.2	53.5	52.8	55.1	54.7
Services PMI^	Index	57.5	58.8	59.8	57.4	53.3	54.1	55.2	55.8
Unemployment **	%	6.6	6.7	7.0	6.6	6.0	6.1	4.0	4.7

Source: www.gstn.org.in, www.icegate.gov.in, CMIE, PIB, RBI, www.vaahan.parivahan.gov.in, www.posoco.in
*GST collections for the month is for economic activity in the previous month. ^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

Going forward, growth is likely to remain supported on the back of sustained demand momentum. However, El Nino conditions and its impact on food production, fading stimulus effect, and continued geo-political tensions remain key risks for growth in the second half of this year.

Macroeconomic Update (contd...)

Risk of fiscal slippage is low this fiscal: Total Government expenditure has grown by 10.7% YoY in H1FY27 driven by capex growth which is up 12.7% YoY. On tax collections front, while direct tax collections have been strong led by corporate taxes, indirect tax collections have contracted due to reduction in GST and excise duty rates. Fiscal deficit (as % of budgeted) during the first 6 months of this fiscal has been ~42% compared to ~37% during the same period last year. Robust corporate tax collections, and higher than budgeted disinvestment/asset monetisation receipts reduces risk of fiscal slippage this year. The Government has also kept aside economic stabilisation fund of INR 1 trillion which could be tapped in case of any tax revenue shortfall.

FY ending, in billion (Rs)	6MFY26	6MFY27	YoY growth
Gross tax revenue	18,654	19,799	6.1
Direct Tax Collections	10,576	11,963	13.1
Indirect Tax collections	7,791	7,363	-5.5
Less: Share of states & others	6,360	7,038	10.7
Net Tax collections	12,294	12,761	3.8
Non-tax revenues	4,661	4,807	3.1
Total Revenue receipts	16,954	17,568	3.6
Total Capital receipts	348	786	126.1
Total Receipts	**17,302**	**18,354**	**6.1**
Total Revenue Expenditure	17,226	18,953	10.0
Total Capital Expenditure	5,807	6,545	12.7
Total Expenditure	**23,033**	**25,498**	**10.7**
Fiscal Deficit	5,731	7,144	24.7
Fiscal deficit (% of BE)	36.5%	42.1%	
Fiscal deficit (% of GDP)	1.7%	1.9%	

Source: CMIE Note: YoY: Year on year growth

CPI inflation rose further in Sep 2026: CPI inflation was recorded at 5.5% in Sep 2026, driven mainly by surge in food and fuel inflation. Core-Core inflation (core inflation ex of precious metals) also rose 30bps to 3.2% due to rise in services inflation such as Information and Communication, Recreation, Restaurants and accommodation services.

Going forward, inflation is likely to rise in FY27 on adverse base effect, higher oil prices and below normal rainfall but will likely peak in Q3FY27 before trending down. The geo-political situation, El-Nino conditions and pass through of input price inflation remain key monitorable from an inflation perspective.

YoY,	Aug-26 (%)	Sep-26 (%)	Change in %
CPI	4.8	5.5	0.7
Food & beverages	5.7	7.4	1.7
Electricity, gas and other fuels	3.1	3.2	0.1
House rent	2.3	2.4	0.1
Transportation	4.6	5.0	0.4
Core-Core CPI[@]	2.9	3.2	0.3

Source: CMIE; @-CPI excluding Food, Fuel & light, Petrol, Diesel, Gold and Silver

Trade deficit increased in Sep 2026: Trade deficit jumped in Sep 2026 mainly due to higher oil and non-oil non gold (NONG) imports. Merchandise exports have registered a growth of 19% YoY in H1FY27 compared to growth of 5% YoY during same period last year. Exports are mainly driven by Engineering electronic goods and chemicals. Going forward, trade deficit is likely to remain contained on back of healthy merchandise exports growth. Moreover, healthy growth in services exports will help keep CAD within manageable levels.

Amount in USD billion	Aug-26	Sep-26	Change
Trade Deficit / (Surplus)	26.9	30.2	3.4
Net Oil Imports	9.9	12.1	2.2
Net Gold Imports	2.4	1.3	-1.1
NONG net imports	14.5	16.8	2.3

Source: CMIE. NONG refers to Non-Oil Non-Gold

Crude oil prices rose further in Oct 2026: Brent crude rose ~14% MoM to ~USD118/bbl in October as supply chains remained disrupted in West Asia. Gold and industrial metals on the other hand saw moderation as markets are pricing in a global rate hike cycle which could potentially affect global demand.

	Market price (USD)*	Oct-26 (%)^	FY27TD (%)[&]
Brent Crude (per barrel)	118	13.6	-0.6
Gold (per ounce)	3,875	-6.8	-17.0
Steel (per tonne)	481	-2.1	0.4
Zinc (per tonne)	3,913	-0.1	21.5
Copper (per tonne)	14,449	-0.3	18.8
Aluminium (per tonne)	3,106	-1.7	-11.8
Lead (per tonne)	1,890	1.8	0.5

Source: Bloomberg; *Market prices as on October 31, 2026, ^MoM change, [&] Change in FY27TD

Macroeconomic Update (contd...)

Summary and Conclusion:

Fragile geo-political situation resulting in higher crude oil and other commodity prices remains a key risk for the global economy going forward. Moreover, persistent El Niño conditions poses fresh risk for food prices across geographies. Despite these risks, global growth continues to hold up well driven by AI/tech related spending and strong fiscal support. IMF has again upgraded global growth forecast for this year, which will be led by Advanced Economies. Sovereign bond yields, which had scaled fresh highs, have retreated from peak, easing some of the concerns surrounding potential risks from the bond markets. Growth in the US so far has held up well on the back of AI/tech related capex, strong Government spending, resilient labour markets and buoyant household wealth. Growth in China is following a two-speed path where domestic consumption, investments and property markets are in a slow lane, but exports and manufacturing are holding up well.

Contrary to expectations, growth in India has held up remarkably well despite disruptions caused by West Asia crisis. High frequency indicators continue to hold up well with resilient consumption and investment demand. Inflation remains well anchored and though it's expected to rise from here due to adverse base effects, higher oil prices and deficient monsoon, it's unlikely to increase significantly. RBI has projected an average inflation of 5.2% in FY27 with risks evenly balanced.

Looking ahead, the medium-term outlook for the Indian economy seems optimistic, in our view. This optimism is driven by steps taken by RBI and Government, opportunities arising from shift in the global supply chain, momentum of private consumption sustaining due to tax relief, uptick in private investment demand and improving corporate profitability. However, elongation of geo-political conflicts and El Nino conditions persisting through next year remain key risks to growth going forward.

Debt Market Update

The 10-year G-sec yields rose consistently throughout the month ending ~22bps higher as markets started pricing in aggressive rate hikes by the RBI post October policy where the monetary policy stance was changed from 'neutral to 'calibrated tightening'. The yields also rose as RBI conducted OMO sales of G-secs worth INR250bn and conflict in West Asia persisted, pushing up crude oil prices by ~14% during the month and raising concern on inflation. Yield on 10-year AAA corporate bonds registered an increase of ~35bps resulting in spread between 10-year G-sec and 10-year AAA widening by ~13bps.

Other key events which influenced yields during the month were: (1) RBI announcing separate dollar window for OMCs and set of measures to curb speculation in the Fx market and, (2) major central banks like Fed, BoJ and ECB holding policy rates steady while sounding hawkish. The table below gives a summary view of the movement of key rates and liquidity:

	Sep-26	Oct-26	Change (in bps)
MIBOR Overnight Rate (%)	5.28	5.63	0.35
3M Gsec yield (%)	5.52	5.93	0.41
10Yr Benchmark G-Sec Yield^ (%)	7.19	7.41	0.22
AAA 10Year Corporate Bond Yields#,& (%)	7.93	8.28	0.35
AAA 10Y Corporate bond spread against 10Y benchmark@ (bps)	74	87	13
Average net liquidity absorbed/infused by RBI* (INR billion)	7,766	2,374	

^-bi-annual yield; #-annualised yield; & - Average yield of 10-year 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 declined to INR ~2.4 trillion in October compared to surplus of ~INR 7.8 trillion in September driven mainly by RBI's Fx intervention, seasonal increase in currency in circulation, tax related outflows and OMO sales by RBI.

In the debt market, FPIs ended the month with net buying of USD 49 million in October 2026 (Sep 2026 net sell: USD 1.7 billion).

Outlook

Fixed income market outlook

Between RBI's August policy and end October 10-year G-sec yield in India rose by ~64bps effectively pricing in aggressive rate hikes by RBI in this cycle, rise in US yields and higher crude oil prices. Further, the change in stance from 'neutral' to 'calibrated tightening' in October policy was perceived as hawkish by the markets, but we believe stance change reflects the direction of the policy rate and not necessarily the magnitude. Hence, in our view, it was done to retain policy flexibility to react to evolving global / geopolitical events and does not necessarily implies an aggressive rate hike cycle.

Apart from the above, there are several factors which should help contain the upward pressure on the yields. US yields have fallen considerably from the recent highs with yields on US 10-year G-sec dropping by ~39bps from the peak and risk of fiscal slippage in India remains low, due to robust corporate tax collections and expectation of disinvestment receipts exceeding budget estimates. Further, Balance of Payments (BoP) remains well positioned due to manageable current account deficit (CAD) and large inflows under FCNR (B) deposits which should support INR stability. The recent measures announced by the RBI has led to reduction in speculative activity in the forex markets and has helped steady the INR. Growth in India is also likely to moderate in the second half due to fading stimulus effect, El Nino related weather disruptions and higher energy prices. Accordingly, we remain constructive on Indian fixed income markets. Our view is subject to two key risks: crude oil prices remaining elevated for an extended period and US sovereign yields climbing upwards again.

In view of the above, selective segments particularly corporate bonds remain well placed. Investors may consider allocating to high-quality corporate bonds focussed funds with the duration of 2- to 4-year segment from a medium-term perspective. Further, given the elevated absolute yield levels at the longer end of the G-sec curve, one may also consider a staggered increase in exposure to long-duration funds in line with individual risk appetite.

Equity Market Update

The month of October 2026 witnessed divergent trends for Indian equity markets. While Nifty 50/Sensex rose by 1.9%/2.7% respectively, small caps and midcaps indices declined by 4.1% and 3.4%. While IT and Healthcare outperformed during the month, Cap goods, Metals and power underperformed.

Except for UK and German markets, global equity markets witnessed broad based correction during the month. Below are detailed tables outlining the performance of key domestic and global indices:

% Change in Indices	Oct-26	FY27TD
BSE Information Technology	14.8	9.8
BSE Healthcare	0.2	20.1
BSE Bankex	-0.5	8.5
BSE Oil & Gas	-2.3	-4.8
BSE Fast Moving Consumer Goods	-2.9	-2.2
BSE Auto	-3.8	6.4
BSE Power	-4.3	3.0
BSE Metal	-6.8	2.6
BSE Capital Goods	-7.2	7.1
BSE Sensex	2.7	3.5
NSE Nifty 50 Index	1.9	3.2
NIFTY Midcap 100	-3.4	8.8
NIFTY Smallcap 100	-4.1	21.4

% Change^	Oct-26	FY27TD
FTSE 100	2.1	6.8
DAX	0.8	10.0
S&P 500	-0.9	16.1
CAC 40	-1.6	-1.5
Nikkei 225	-5.3	25.1
NASDAQ Composite	-5.3	17.8
Hang Seng	-5.3	-6.1
Shanghai Composite	-5.6	-4.2
MSCI Emerging Markets	-8.1	12.1
KOSPI	-14.8	28.9

Source: Bloomberg. ^Returns in USD

FIIs sold net equities worth USD 0.4 billion in Oct 2026 (Sep 2026: Net sold USD 4.2 billion) and have cumulatively sold equity worth USD 13billion in 7MFY27 (7MFY26: Net sold USD 2.7 billion).

DIIs bought net equity worth USD 6.5 billion in Oct 2026 (Sep 2026: USD 8 billion) and have cumulatively bought USD 47.4 billion in 7MFY27 (7MFY26: USD 51 billion). Net flows into Mutual funds were ~INR 40,406 crore in Sep 2026 (Aug 2026: ~INR 33,082 crore & Sep 2025: ~INR 36,653 crore) cumulatively amounted to ~INR 203,586 crore in 6MFY27 (6MFY26: ~INR 202,077 crore).

Outlook

As on October 30, 2026, NIFTY 50 Index was trading at ~16.9x one year forward price to earnings multiple. Further, Market cap-to-GDP stood ~138% (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

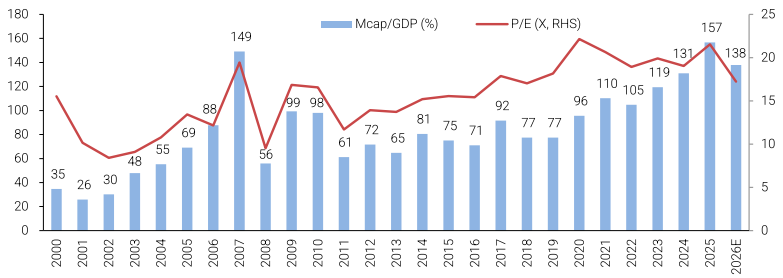
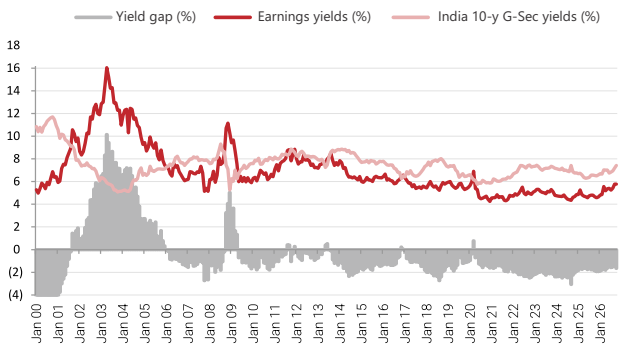


Chart 2



Source: Kotak Institutional Equities; Market cap is as of Oct 30, 2026

Equity Market Update (contd...)

As of October 30, 2026, the valuations of 7 out of 12 sectors are trading at a discount to 10-year historical average (refer to the table below for details) :

	12 months forward Price To Earnings		
	30-Oct-26	LTA$	Discount / Premium^
Pharma	29.7	24.8	19.5
Industrials	31.1	28.0	11.2
Utilities	13.1	11.8	10.7
Cement	34.7	32.2	7.7
PSU banks @	1.2	1.1	4.6
Consumer Discretionary	63.7	67.2	-5.2
Energy	12.3	13.0	-5.8
Automobiles	19.5	21.0	-7.1
Metals	9.9	11.2	-11.4
FMCG	29.2	36.7	-20.3
Tech	16.4	21.1	-22.4
Pvt Banks @	1.8	2.5	-29.1

Source: Kotak Institutional Equities. Stocks are part of Kotak Institutional Equities universe.
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, the importance of stock selection increases even more. Over medium to long term, we remain optimistic on Indian equities considering key trade deals, attractive domestic growth outlook, healthy corporate profitability, and supportive pro-growth policies. However, near-term risks include elongation of geo-political conflicts and cyclical moderation in corporate earnings.

Glossary

AE	Advanced Economies
BoE	Bank of England
BoJ	Bank of Japan
BoP	Balance of Payment
bps	Basis points
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

DISCLAIMER

This document contains our views as on November 13, 2026. The views expressed herein are based on internal data, publicly available information and other sources believed to be reliable. Any calculations made are approximations, meant as guidelines only, which you must confirm before relying on them. The information contained in this document is for general purposes only and not an investment advice. The document is given in summary form and does not purport to be complete. The document does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. The information/ data herein alone is not sufficient and should not be used for the development or implementation of an investment strategy. The statements contained herein are based on our current views and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. **Past performance may or may not be sustained in future and is not a guarantee of any future returns.** Stocks/Sectors/Securities referred above are illustrative and not recommended by HDFC Mutual Fund (the Fund) / HDFC AMC. The Fund may or may not have any present or future positions in these sectors. **HDFC AMC / the Fund is not guaranteeing / offering / communicating any indicative yield on investments made in the scheme(s).** Neither HDFC AMC and the Fund nor any person connected with them, accepts any liability arising from the use of this document. The recipient(s) before acting on any information herein should make his/her/their own investigation and seek appropriate professional advice.

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

Mission: To be the wealth creator for every Indian

Vision: To be the most respected asset manager in the world