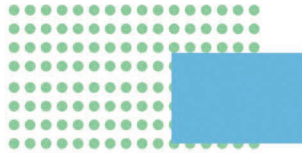


# Market Outlook

October 2025



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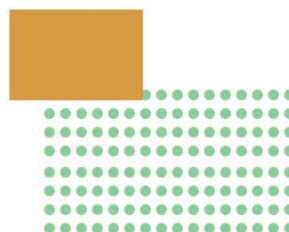
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## CEO's desk

We are pleased to share this month's Market Outlook, covering the key economic and market trends shaping the investment environment. Global developments, policy shifts, and ongoing geopolitical uncertainties continue to impact asset-class sentiment. In this context, our goal is to provide clear, balanced insights with a long-term perspective to help navigate market complexities.

Indian equity markets have remained resilient amid mixed global signals, though gains have been narrow and driven by select sectors. Tariffs and softer consumption have weighed on earnings, while elevated valuations call for greater selectivity. Supportive domestic factors including lower crude prices, tax relief, and RBI liquidity continue to anchor sentiment.

Bond markets continue to reflect a balance between domestic and external factors. Softer inflation and recent policy measures have primarily influenced short-end movements, while the long end remains sensitive to fiscal borrowing, currency pressures, and global investor flows. International developments, including central bank actions and cross-border capital trends, also play a key role in shaping sentiment and yield dynamics across the curve.

The economy has maintained a solid pace, supported by domestic drivers despite global headwinds. The ongoing fiscal and monetary policies are expected to complement each other and support growth. At the same time, global conditions continue to provide an important backdrop, with policy developments and external demand trends shaping the near-term environment.

We remain vigilant in tracking global economic and market developments. With multiple factors in play, maintaining awareness and flexibility will be crucial in the months ahead.



*Manu Awasthy*

Manu Awasthy  
CEO & Founder  
Centricity

# Pulse check

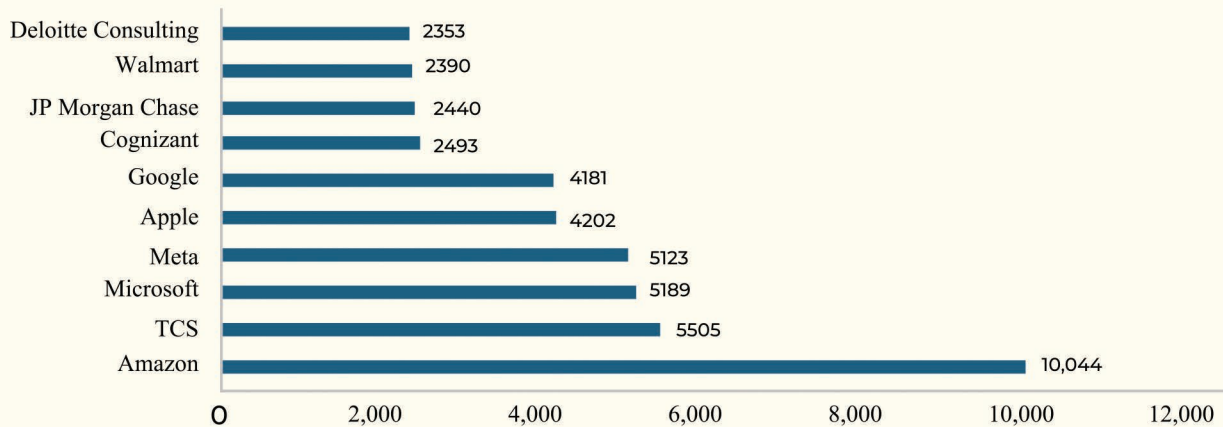
## H-1B Visa at a Crossroads: Cost, Competition, and Consequences

### What is the H-1B Visa?

The H-1B visa is America's flagship non-immigrant work visa, allowing U.S. employers to hire highly skilled foreign workers in specialty occupations such as IT, engineering, and finance. The program is subject to an **annual cap of 65,000 regular slots**, with an additional **20,000 reserved for applicants holding U.S. advanced degrees**. When applications exceed available slots, a **lottery system** determines allocation. H-1B visas are initially granted for **three years**, extendable to six, and include **dual intent provisions**.

### H1 - B Visa Approved Beneficiaries - Top 10 Employers

(as of June 30, 2025)



Source: US Citizenship and Immigration Services

### What Were the Initial Costs?

Previously, the cost of securing an H-1B visa ranged between **\$2,000 and \$5,000 per worker**, depending on the employer's size and compliance obligations. Companies usually absorbed these expenses, which were modest when weighed against the revenue an onsite engineer could generate. All told, the H-1B was not cheap, but it remained an attractive investment for firms seeking to maintain a foothold in the U.S. market.

### The Recent Changes

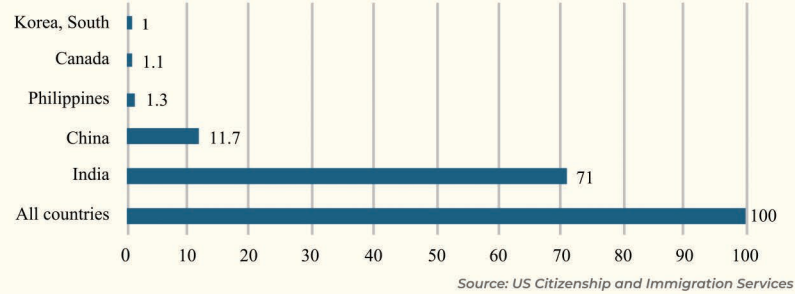
On **September 19, 2025**, President Trump signed a proclamation introducing a **mandatory \$100,000 fee for every new H-1B petition**. The fee, which must be paid directly by the sponsoring company and is a **one-time levy rather than an annual charge**, as clarified later. Crucially, petitions will be **denied without proof of payment**, and the order applies only to applications filed **after September 21, 2025**, with all earlier submissions remaining unaffected.

### The Impact for Indian IT Firms

India's IT-services industry, employing over 5 million people, built its growth on the H-1B pipeline, sending engineers to the U.S. to serve clients and driving services exports **from \$53 billion in 2005 to \$387.5 billion in 2024**.

In **FY 2024–25**, India’s IT sector generated **US\$282 billion in revenues**, accounting for roughly **7.3% of national GDP**, with export earnings from IT services growing by **12.5% to US\$224.4 billion**. The new \$100,000 visa fee lands just as the sector faces disruption from **artificial intelligence**, with Gartner estimating that by **2029, more than half of enterprise user interactions will be automated**.

**Top 5 Countries of Birth of Approved H-1B Beneficiaries, FY 24**



India’s equity markets may experience some near-term volatility, but overall valuations remain broadly elevated. The new H-1B visa fee would also test the appetite for domestic investors who have been betting on IT stocks amid heavy selling by FIIs.

## Gradual Decline in H1- B Reliance

During Mr. Trump’s first term, scrutiny of H-1B visa applications was tightened, and **rejection rates for Indian IT firms rose more than fourfold**, forcing companies to rethink their U.S. hiring strategies. Firms responded by **reducing visa dependence, expanding offshore delivery, and hiring more local talent**. According to **NASSCOM**, Indian and India-centric firms had already anticipated this shift, and as of 2024, H-1B employees at the **top 10 firms represent less than 1% of their total workforce**.

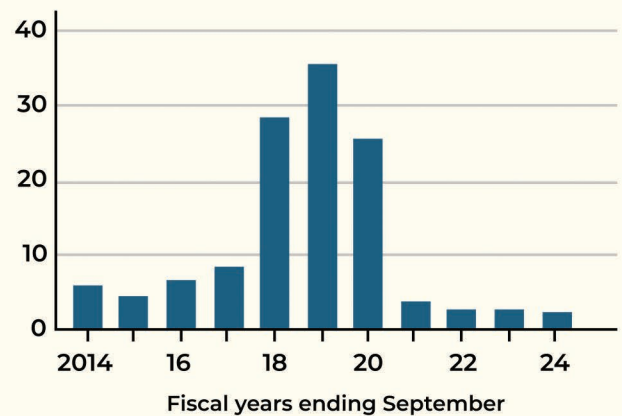
The new H-1B fee could also have **broader macroeconomic implications**, particularly for remittance flows to India. Indian professionals working abroad are a key source of foreign inflows, with these inflows from USA contributing around **27.7% of total inward remittances in 2023–24**, according to the 6th Round of India’s Remittances Survey. A reduction in the number of Indian workers able to move to the U.S. may lead to a **potential decline in these inflows, which could exacerbate pressure on the already depreciating rupee**.

## Way Forward: Strategic Adaptation and Opportunities

The recent H-1B fee increase, while significant, also creates an opportunity for **recalibration** across Indian IT firms. Companies can leverage this moment to **accelerate offshoring**, expand **nearshore delivery hubs** in regions like Canada and Latin America, and strengthen **Global Capability Centres (GCCs) in India** to capture high-value work previously dependent on onsite U.S. presence.

From a broader perspective, these measures are **opportunity-driven**; they can enhance operational resilience and position Indian IT companies to **retain talent domestically while sustaining global service delivery, reversing the previous “brain drain”**. The cumulative effect is more diversified and flexible, given the adaptation of a future-ready delivery model that balances cost pressures with long-term growth prospects.

**H1-B visa-rejection rate for Indian IT companies (%)**





# Economic Outlook



# Indian Economy Overview

1. India's real GDP grew **7.80% in Q1 FY26**, up from **6.50% in FY25**. The pickup was led by strong services and government spending.
2. **Core Inflation rose to 2.07% in August 2025**, staying within RBI's 2–6% target band although on the lower end.
3. For the period April-July 2025, **the fiscal deficit was ₹4.68 lakh crore**, or **29.90%** of the annual target, while the comparable period in FY25 saw a deficit of 17.20% of the annual target.
4. Current account deficit eased to **0.20% of GDP for Q1 FY26**.
5. India's forex reserves rose to **USD 702.57 billion as on 26th Sept**, after brief volatility in mid-FY due to capital outflows.
6. The rupee remained broadly stable, averaging around **₹88.2/USD**.
7. Net direct tax collections stood at **₹10.82 lakh crore as on 17 Sept 2025**, registering **9.18% gain** over the same period last year.
8. Total Net GST Revenue stood at **₹1.603 lakh crore** in September, marking an **5% increase**.



## Domestic Macro Indicators

FY	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	Current
Real GDP Growth (%)	8.0	8.3	6.8	6.5	3.9	-5.8	9.7	7.6	9.2	6.5	7.8
Average CPI Inflation (YoY%)	4.9	4.5	3.5	3.4	4.7	6.1	5.5	6.6	5.6	4.6	2.0
Forex Reserves (USD billion)	356	370	424	413	490	579	606	579	648	676	702.5
Currency (USD-INR)	66	64	66	70	75	74	77	82	83	86	88.2
Net Direct Tax Collections	7.4	8.5	10.0	11.3	10.5	9.4	14.1	16.1	15.8	22.2	10.8
Current Account (%GDP)	-1.1	-0.6	-1.9	-2.4	0.1	-0.2	-1.5	-2.2	0.7	-1.1	0.2
Fiscal Deficit (%GDP)	3.9	3.5	3.5	3.4	4.6	9.3	6.7	6.4	5.6	4.8	0.8

## Rupee Vulnerability

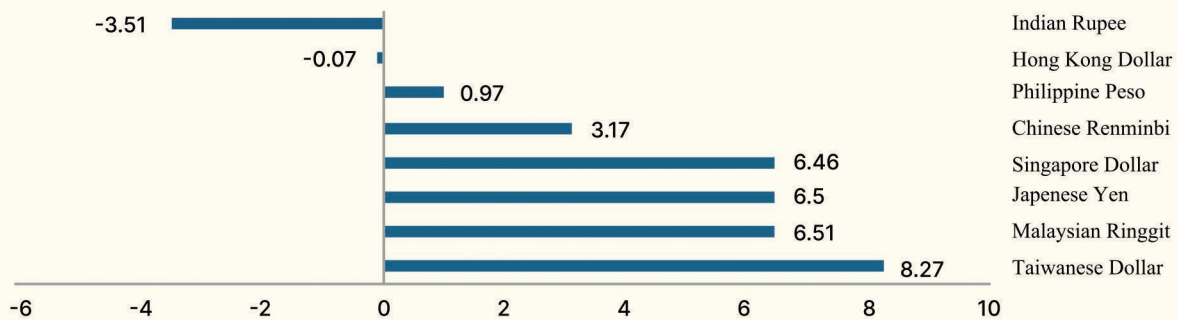
The Indian rupee has slumped to **record lows against the U.S. dollar in late September plummeting to USD/INR 88.8**, making it one of the most depreciated currencies in Asia over the past few months. The **sharp hike in H-1B visa fees** had raised concerns around **remittances and potential equity outflows** from India's IT sector, given its heavy reliance on U.S. deployments. India, which accounted for nearly 71% of all H-1B applicants in 2023-24, is likely to feel the impact disproportionately.

This weakness comes against the backdrop of **persistent global trade tensions and India-U.S. tariff uncertainties**, which continue to weigh on investor sentiment. Domestic equities have seen nearly **₹60,000 crore of FPI outflows** in the last three months, further straining the currency.

*We expect the rupee to remain under pressure in the near term, with lingering trade uncertainties, tariff concerns, and ongoing external vulnerabilities likely to keep the currency under stress until decisive policy or trade developments provide relief.*

### Asian Currencies Depreciation Against USD (%), YTD (CY)

(as on Sept 24, 2025)



Source: Mint, Investing.com

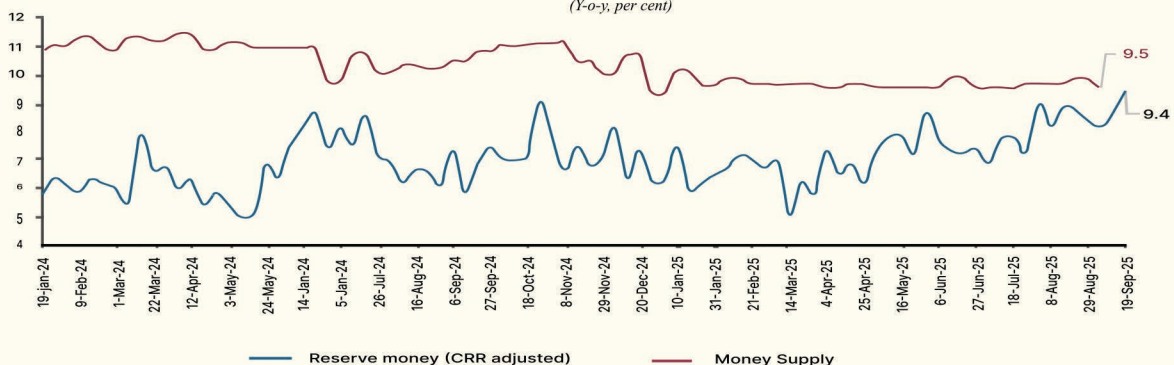
## CRR Cut Strengthens Banking Liquidity

The Reserve Bank of India's recent **25-basis-point reduction in the Cash Reserve Ratio (effective 6th September)**, the first of four planned cuts has injected additional liquidity into the banking system. The CRR represents the portion of deposits that banks are required to park with the RBI, earning no interest. By lowering this requirement, the central bank has freed up funds that banks can now deploy for lending and investment.

The **CRR reduction has boosted reserve money growth, which over time has aligned closely with overall money supply**. The earlier gap between central bank liquidity injections and the funds circulating in the economy has narrowed, with both now expanding at around 9.5%. For businesses and households, this ample liquidity is expected to translate **into easier access to credit, smoother festival-season spending, and a supportive environment for growth**. Scheduled commercial banks' credit growth rose to double digits in August, aided by strong flows from non-bank sources, while system-wide liquidity remained in surplus.

### Growth in Reserve Money and Money Supply (M3)

(Y-o-y, per cent)

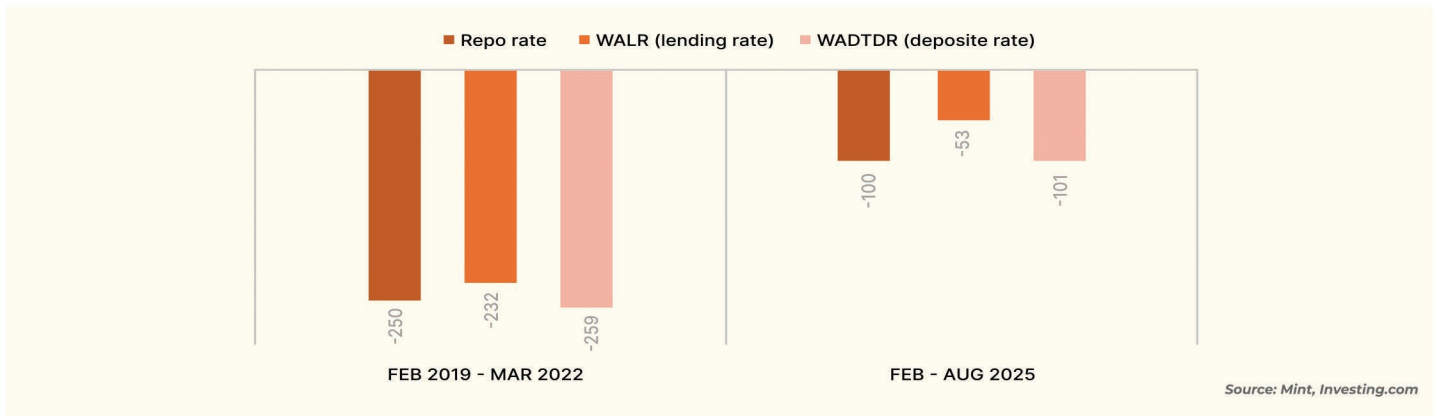


Source: RBI

## The Slow Monetary Transmission

Since February 2025, the repo rate has been cut by 100 bps, and the CRR reduction, (began on 6th September), which provided additional liquidity to the system. However, monetary transmission appears to be partial. **Deposit rates have responded more sharply to the policy cuts, declining by 101 bps, whereas lending rates have fallen by only 53 bps.** This asymmetric adjustment is typical, as lending rates tend to be sticky while deposit rates are repriced more quickly to help banks maintain profitability. **A similar pattern was observed during 2019–2022, when pandemic-induced repo rate cuts of 250 bps led to deposit rates falling by 101%, compared with a 93% reduction in lending rates.**

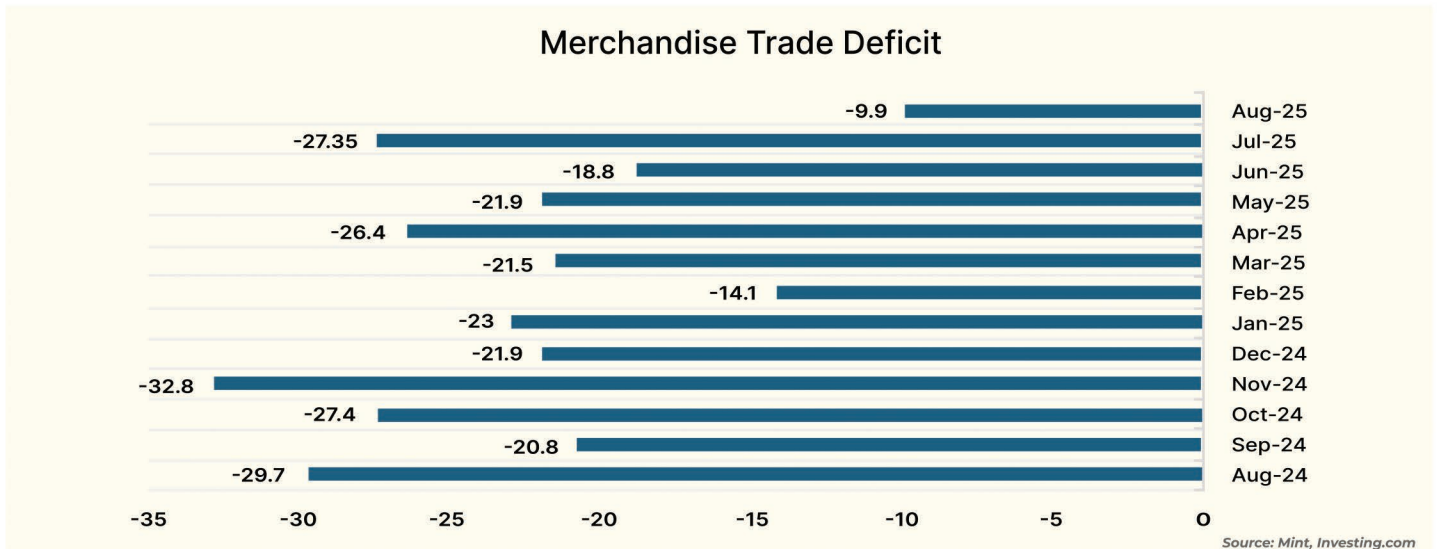
Such dynamics limit the relief available to end consumers, as earnings on deposits decline while loan payments remain largely unchanged, compressing household savings margins. **Despite the decline in deposit rates, aggregate deposits increased from ₹217 trillion in February to ₹230 trillion in June, reflecting a strong consumer preference for safe-haven investment options.**



## External Sector Resilience Amidst Global Headwinds

India’s external sector showed strong resilience in August 2025, with the merchandise trade deficit narrowing by 54% to **\$9.9 billion**, compared to \$21.7 billion last year. This improvement was driven by robust **services exports**, which rose to **\$34.1 billion** (+12.2% YoY), and a moderation in merchandise imports, which fell 10.1% to \$61.6 billion. Total exports grew **9.3% YoY to \$69.2 billion**, with **exports to the U.S. increasing to \$6.86 billion**, up from \$6.7 billion last year, despite tariffs of 25% for most of the month and 50% for a few days at the end of August.

The narrowing deficit highlights the stability of India’s external sector, while modest rupee depreciation provides additional support to exports, helping maintain competitiveness. With strong services exports, disciplined import management, and continued currency support, India’s external sector resilience is expected to be sustained.

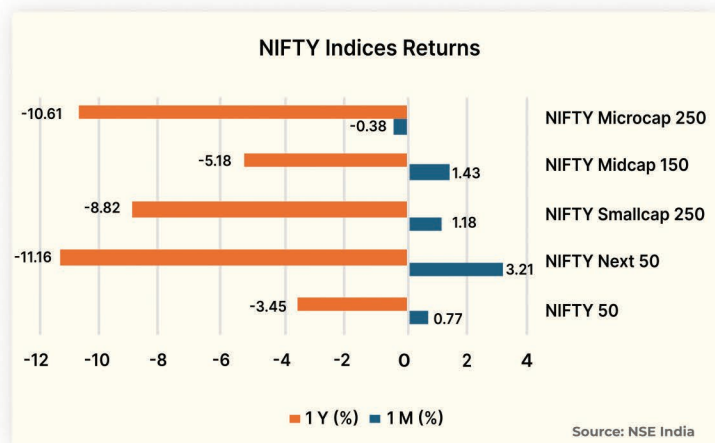
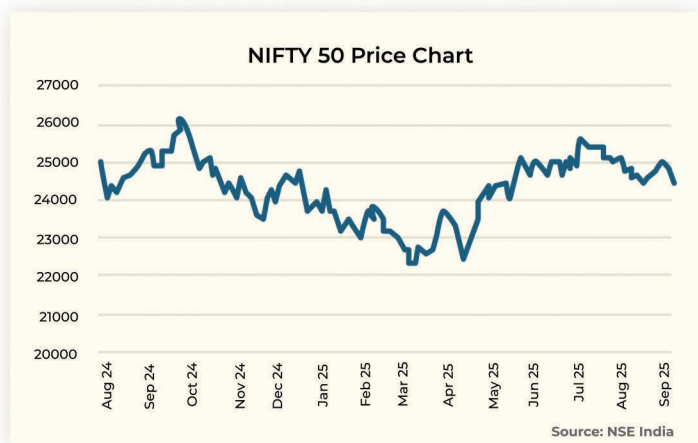




# Equity Outlook



## Monthly Recap :- September



	Returns (%)		
	1 M	3 M	1 Y
Auto	6.34	11.93	-0.88
FMCG	-2.55	0.09	-14.83
Media	-11.87	-11.87	-27.3
Financial Services	1.78	-3.93	7.35
Metal	9.73	5.62	-0.73
Pharma	-1.6	-2.31	-7.19
Consumer Durables	-3.79	-3.21	-14.74
Oil & Gas	4.71	-3.86	-12.43
Realty	-0.34	-11.79	-20.79
Energy	4.23	-3.7	-19.26
Infrastructure	1.57	-3.89	-5.08
India Defence	-4.58	-14.56	7.60
India Consumption	0.03	2.25	-4.99
Commodities	4.95	1.07	-7.54
Housing	2.19	-0.78	-5.97
Bank	1.83	-4.36	3.95
IT	-4.34	-13.31	-17.96

Source: NSE India

### 1. September Stabilization — Mild Uptick

The Nifty 50 managed a 0.77% gain in September 2025, snapping its two-month losing streak. The rebound was modest but provided some relief after two consecutive months of decline. The gains were supported by expectations of GST relief, moderating inflation and a rally in state-owned banks and auto stocks.

Midcaps and Small caps also edged higher on the month, though one-year returns across most Nifty indices stayed in negative territory. The Next 50 (-11.20%) and Microcap 250 (-10.60%) remained the biggest laggards over the 12-month period, while the Nifty 50 (-3.50%) showed comparatively smaller losses.



## 2. Sectoral Bifurcation — Some Strength, More Weakness

Performance across sectors was uneven, shaped largely by tariff exposure, fiscal policy reforms and central bank policy decisions:

- **Autos and Oil & Gas saw steady gains**, with autos rising ~ 6.34% MoM owing to resilient domestic demand and oil & gas gaining 4.71% MoM supported by stable crude oil prices.
- **Export-linked Sectors including IT, pharma, chemicals and textiles** stayed under pressure as higher U.S. tariffs and weak global demand weighed on earnings possibility.
- **Infrastructure Index rises** as sector performance improved due to government capex announcements and select project developments.
- **Nifty Metals surged** driven by robust global and domestic demand for metals. Strong infrastructure and capex spending worldwide, along with India's fiscal initiatives supporting construction and manufacturing, boosted domestic consumption.



## Valuation of Indian Equity Markets

The Nifty 50 stands at 21.76, slightly below its 10-year average of 23.49 and median of 22.00. The broader Nifty 500 trades at 23.80, also under its 10-year historical average of 26.69, reflecting a moderation in market valuations from September levels previous year which were at 28. However, **these historical PEs were achieved when earnings growth was around 10–12%**; with current growth closer to 6–7%, even similar PEs indicate that valuations are relatively stretched compared to past periods of stronger earnings momentum.

In contrast, the **mid and small-cap segments remain high**. The Nifty Smallcap 100 is at 30.33, modestly below its 10-year mean of 33.04, whereas the Nifty Midcap 100 has risen to 32.70, exceeding its historical average of 30.57. These levels suggest that while large-cap indices are relatively reasonably priced, mid- and small-cap stocks continue to trade at stretched multiples, highlighting potential overvaluation in these segments.

	TTM P/E (As on 30 <sup>th</sup> Sep' 25)	Apr'15-Mar'25 (10 Yr Historical Average)
<b>Nifty 50</b>	21.76	23.49
<b>Nifty Next 50</b>	20.66	27.43
<b>Nifty Smallcap 50</b>	30.33	33.04
<b>Nifty Midcap 100</b>	32.70	30.57
<b>Nifty 500</b>	23.80	26.69

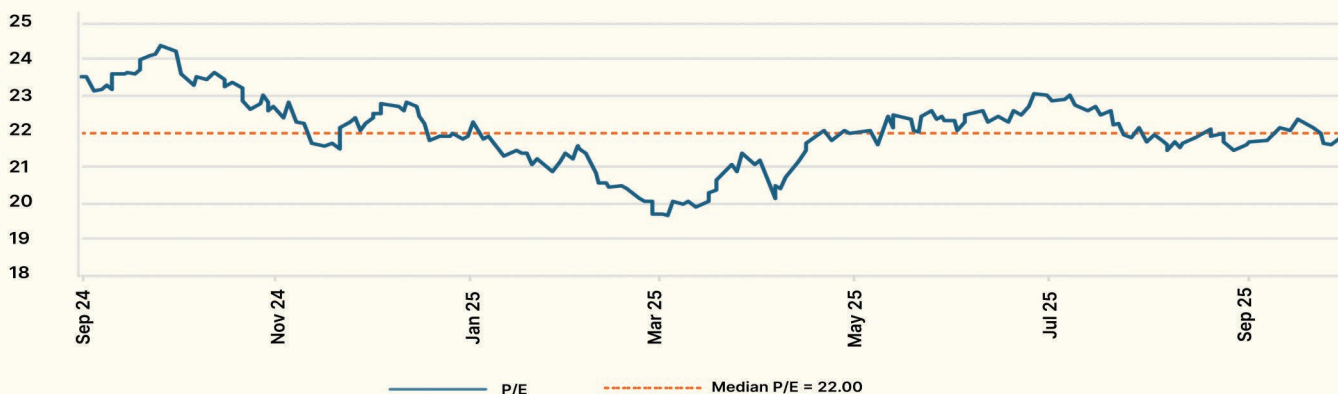
Source: NSE India

### Market Breadth Narrows Mid-Month, Finds Some Relief by Month-End

Market breadth in September was mixed, with metals, autos, and PSU banks outperforming, while IT, media, pharma, and consumer discretionary sectors lagged.

- **IT Sector Under Pressure:** The IT sector faced challenges due to increased U.S. visa fees impacting the export-driven business model. Additionally, global economic uncertainties and rising geopolitical tensions contributed to a cautious outlook, leading to a decline in investor sentiment within the sector.
- **PSU Banks Outperform:** Public sector banks saw strong gains in September driven by robust loan growth surpassing private banks and improved asset quality with declining NPAs boosted investor confidence and pushed the Nifty PSU Bank Index higher.
- **Consumption Sector:** The sector showed modest recovery, supported by GST rate cuts boosting consumer sentiment and festive-season demand, with companies like Hindustan Unilever seeing improved sales in home and personal care products.

NIFTY 50 P/E



Source: NSE India

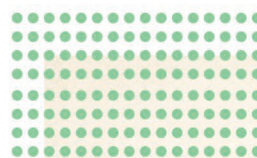
### NIFTY 500 Companies P/E

P/E Range	No. of Companies
<25	124
25-50	174
50-75	106
75<	73

Source: Screener.com

Note: Total adds up to 477 as P/E for 23 companies was not available.

- The **largest cluster of companies (174)** lies in the **25–50 P/E range**. While many have scalable business models, P/Es near 50 are reasonable only if earnings growth is strong; otherwise, such valuations may limit long-term returns.
- Around 179 companies cumulatively are in the **50–75 and >75 P/E ranges**, reflecting strong investor optimism in growth sectors like **Consumer Durables, Electrical Equipment, and Retailing**. However, such high valuations carry elevated risk, especially if earnings momentum slows in a recovering economy.
- **124 companies** are trading below **25 P/E**, suggesting potential value opportunities in sectors like **Banks, Finance, Power, and select IT and Pharma stocks**.
- Overall, while a large segment of companies trade at stretched valuations against growth multiples, only 124 companies remain in the P/E below 25 range, offering selectively reasonable opportunities in a fairly extended index valuation.



## Earnings So Far – Our View

Earnings momentum is expected to strengthen, but the effects of fiscal and monetary reforms will take time, with most benefits likely visible in Q3–Q4 rather than Q2.

- **GST 2.0 impact:** Announced on August 15 and effective September 22, the reform has prompted many consumers to defer purchases, so Q2 earnings may mirror Q1. We see sectors like autos, consumer durables, and discretionary goods benefit as products become more affordable.
- **Secondary benefits for financials:** Rising consumption is likely to boost credit demand and collections, supporting banks and NBFCs.
- **Monetary easing:** RBI cut the repo rate by ~100 bps (from 6.5% to 5.5%) in H1 2025, strengthening NBFC balance sheets and supporting earnings growth in the coming quarters. The CRR reduction will also free up bank liquidity allowing them to lend more and thereby lower funding costs.

# Institutional Activities



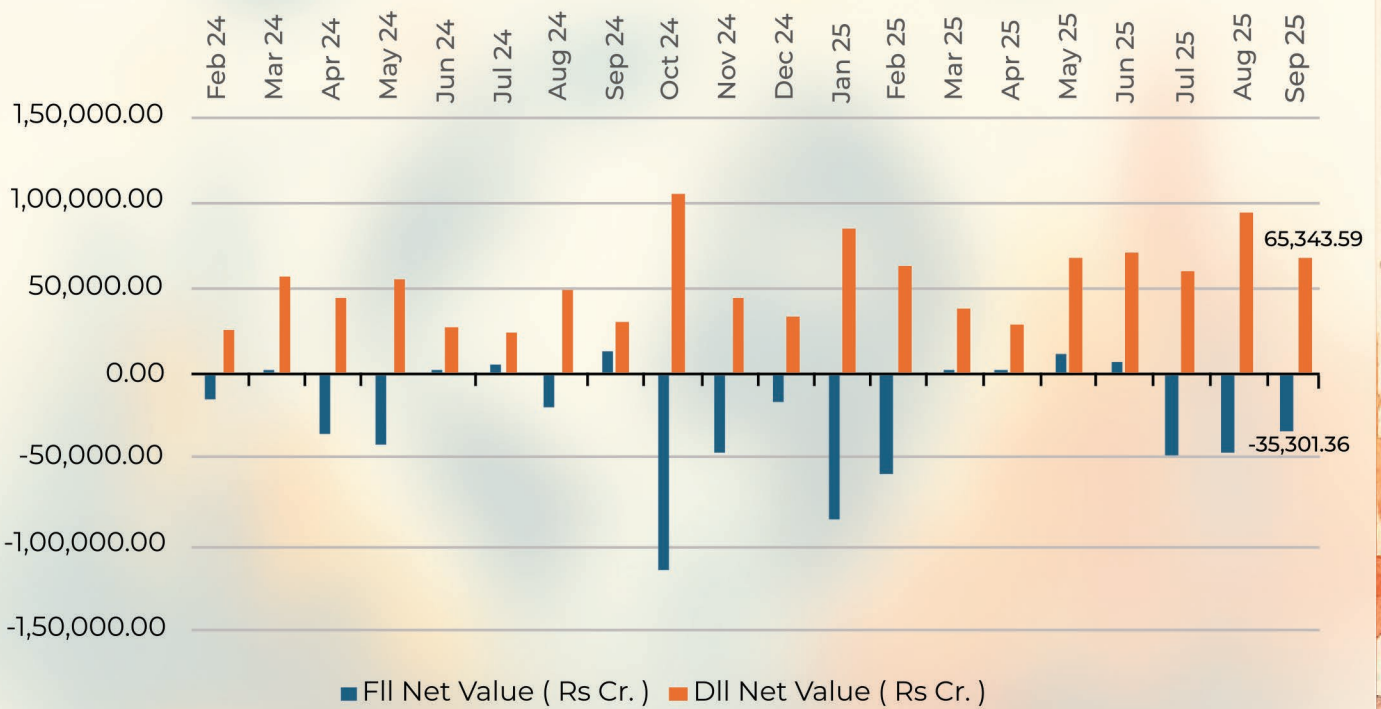
## Heavy FII Withdrawals Continue

- **FII Outflows Persist but Weakens Mildly:** In September 2025, FIIs pulled out ~₹35,300 crore from equities, marking the third consecutive month of significant selling.
- **Drivers of Selling:** Withdrawals were triggered by U.S. tariff-led trade tensions, stretched valuations, currency weakness, and rising U.S. bond yields, leading to reduced positions in IT, pharma, and export-oriented stocks.

## DII Offset FII Selling Pressure

- **Robust Inflows:** DIIs continued to buy heavily, contributing roughly ₹65,300 crore in September, sustaining their role in stabilizing the market.
- **Selective Accumulation:** DIIs focused on sectors with strong domestic demand and growth potential, including autos, consumption, and private banks. SIP flows and steady allocations helped maintain these inflows.

**FII and DII Net Flows**



Source: Moneycontrol.com

## Global Markets

Global equity markets rebounded in September 2025, with distinct regional trends shaped by monetary policies, commodity preferences, and investor confidence.

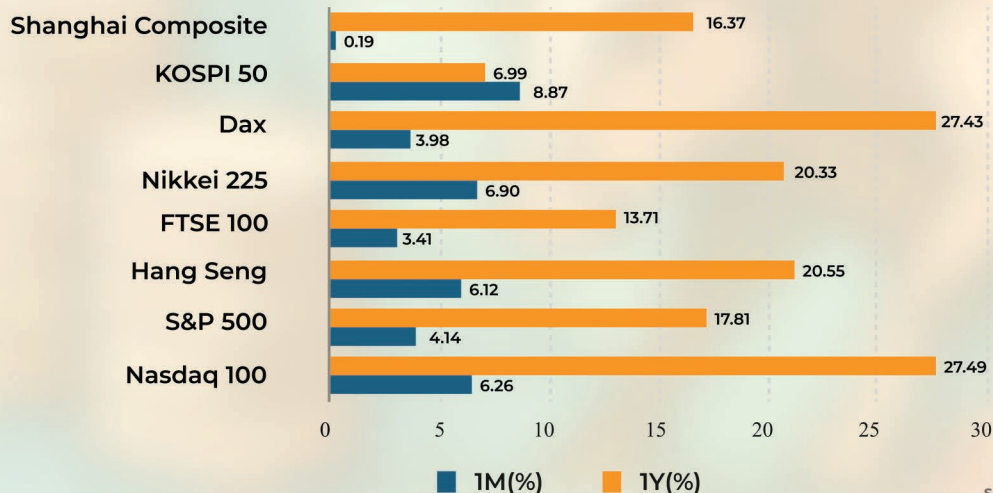
**Nasdaq 100 led gains with a 6.26% MoM rise**, supported by strong technology earnings and optimism around AI and semiconductor sectors. **S&P 500 advanced 4.14% MoM**, driven by broad-based gains in consumer discretionary, financials, and healthcare, while investor expectations of potential Federal Reserve rate cuts provided additional support.

**Asian markets** delivered mixed outcomes. **KOSPI 50 surged 8.87% MoM**, fuelled by robust semiconductor exports and strong domestic economic indicators. **Nikkei 225 climbed 6.90% MoM**, aided by a weaker yen, which boosted exporters, and positive quarterly corporate earnings. **Hang Seng rose 6.12% MoM**, supported by policy easing measures in China and renewed investor interest in technology stocks, while **Shanghai Composite showed only a modest gain of 0.19% MoM**, reflecting structural challenges in China's economy and cautious investor sentiment.

In **Europe**, **DAX gained 3.98% MoM**, reflecting resilient industrial output and strong export performance, whereas **FTSE 100 rose 3.41% MoM**, led by strength in energy and financial sectors amid stable commodity prices and improving corporate earnings.

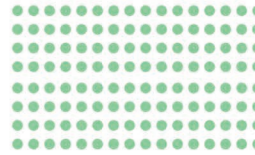
Overall, September 2025 showcased a broadly positive global equity environment, with **tech-led strength in the U.S. and policy-driven gains in Asia**, while European markets benefited from cyclical sector recovery. Regional disparities highlight that investors remain selective, balancing growth prospects with geopolitical and macroeconomic risks.

### Global Indices Return



Source: Moneycontrol.com

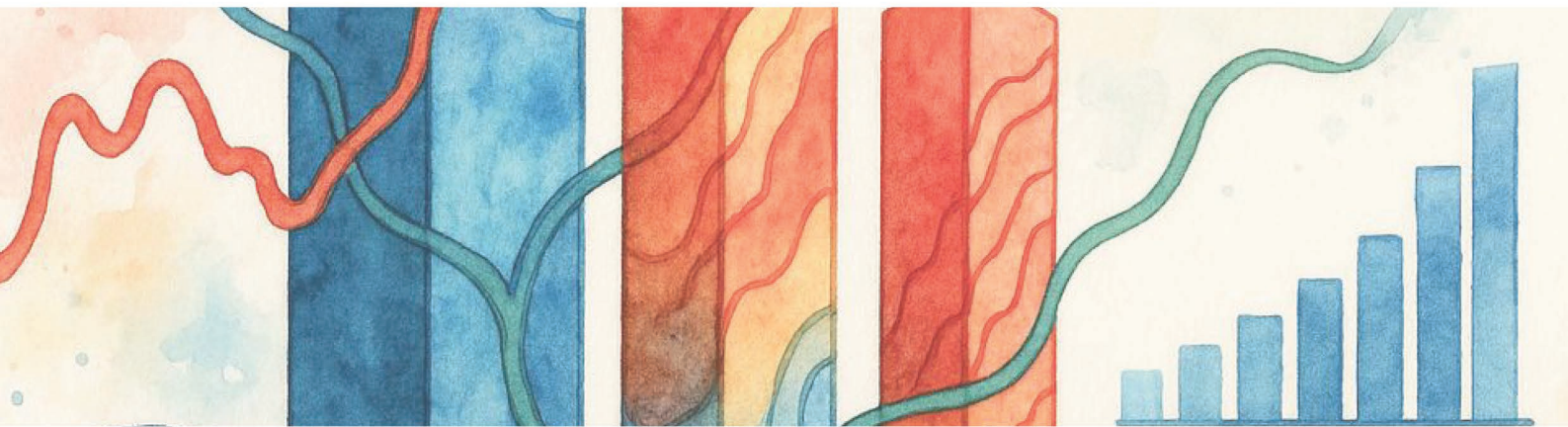
# Equity In-House View



## Domestic Outlook

Indian markets remain caught between noisy global signals and improving domestic fundamentals. Tariffs and softer consumption have dented earnings, while heavy global flows into AI, data centres, semiconductors, and EVs have pumped excess “paper” into India, keeping the market range-bound. Lower crude prices, interest rate cuts, and GST normalization could gradually boost consumption, but these positives offset tariff-related headwinds and effectively result in a lower net positive impact. Foreign outflows and tariffs (up to 50%) have left India at a relative disadvantage compared to peers such as China, Taiwan, and Bangladesh, especially in labor-intensive sectors like textiles. Valuations are higher than many global markets, yet domestic support is driving DII inflows and stabilizing sentiment.

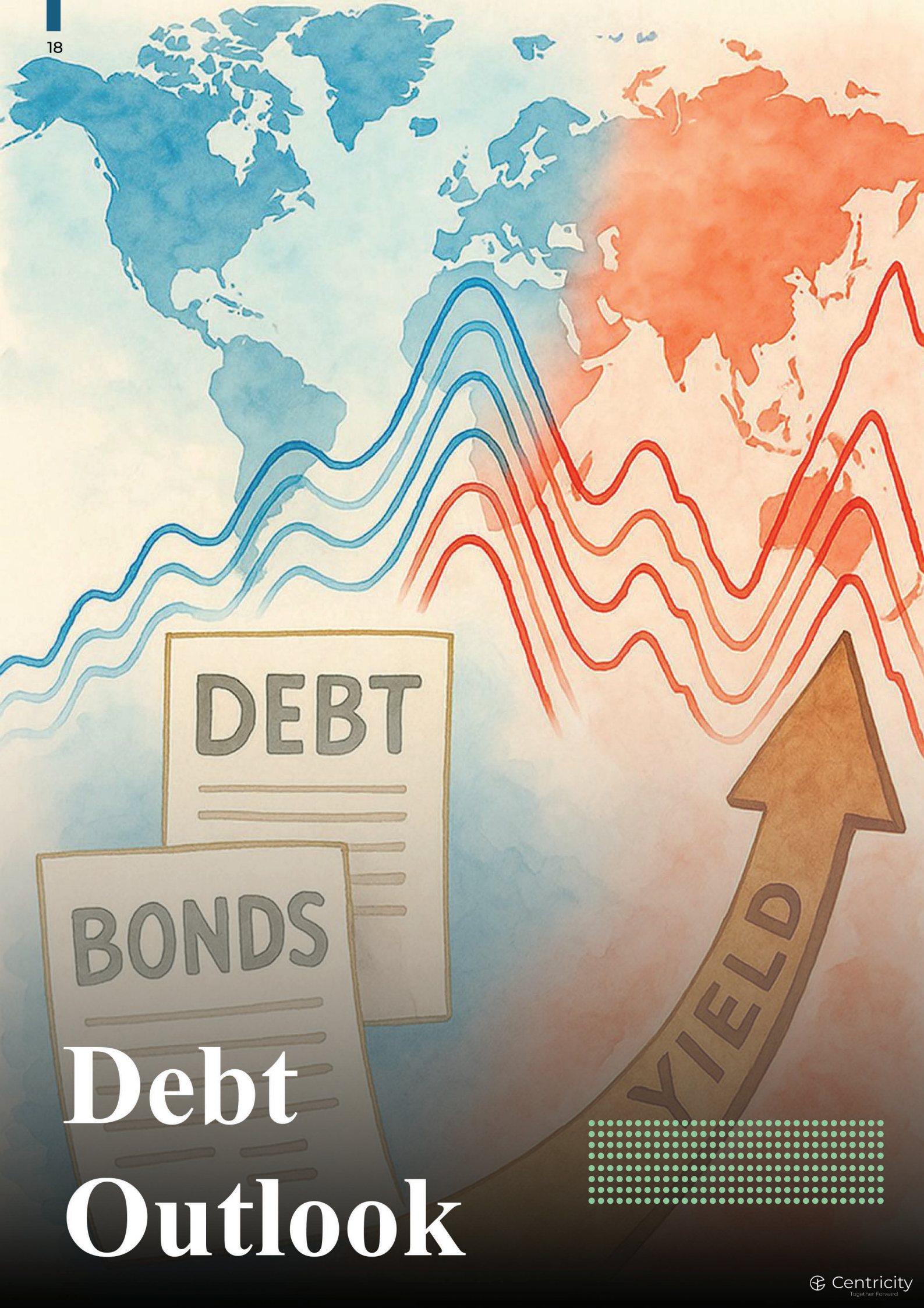
Compared with last year, positioning is healthier. In October, we see bottom-up opportunities across financials, consumption, autos and building materials, with hospitality and wealth management also likely to improve. *Centricity's view: valuations have moderated but pockets of exuberance remain — keep large caps as the portfolio core, be selective in midcaps (around 17% earnings growth in Q1 FY26), and treat small caps with caution. After a year of consolidation, disciplined asset allocation and staggered equity deployment are essential; our stance is cautiously optimistic.*



## Global Outlook

Centricity remains cautiously optimistic on global markets. Equities are performing well but rising gold prices point to growing risk, largely driven by U.S. policy actions (from tariffs to conflicts around Iran, Ukraine, and Israel) and an expanding U.S. debt burden. Geopolitical tensions, potential trade realignment, and divergent country outlooks have created uncertainty, yet investor flows stay strong as large funds search for relative value. This explains valuation gaps: the S&P 500 trades above 30x trailing earnings and the Nasdaq above 35x, while indices such as Shanghai Composite, Kospi and Nikkei trade around 14–19x despite substantial tech and industrial strengths. **Investors are balancing growth with safety, favouring lower-valued markets with improving fundamentals.**

Structural risks remain a concern. Europe is burdened by geopolitical tensions, while China's appealing valuation multiples are tempered by significant real estate stress and the necessity for further policy support, as indicated by its approximately 300% debt-to-GDP ratio. Nonetheless, the technology and electric vehicle sectors show promise. In India, higher valuations suggest that investments should be made gradually. Additionally, there is increased caution regarding the global technology trend: Nasdaq valuations are rising rapidly, many artificial intelligence companies currently lack clear business models, and significant improvements are necessary. However, much of the potential upside seems to be already factored into the prices. In this context, a disciplined global strategy—emphasizing diversification, staggered investments, and prudent asset allocation—is essential. Strong market performance should not obscure the underlying risks; therefore, investors must remain careful, deliberate, and maintain a globally balanced approach.

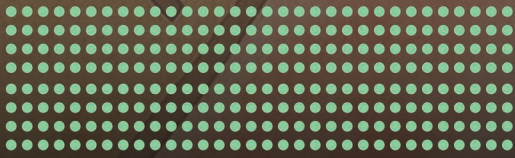


DEBT

BONDS

# Debt Outlook

YIELD



## Global Debt Outlook

### USA

#### 10Y yield:

Yields decreased from 4.150 (as on 30th Sep) to 4.106 (as on 01st Oct)

#### Inflation:

Inflation remained at 2.7%

#### Fed stance:

Cautious and data dependent, balancing between inflation uptick and weak job market data

### China

#### 10Y yield:

1.878, increased from 1.775 in the previous month

#### Inflation:

Inflation numbers decreased by 0.4% year on year, coming at -0.4%

#### PBOC stance:

Accommodative

### Japan

#### 10Y yield:

1.650 (as on 30th Sept), increased from 1.648 in previous month

#### Inflation:

2.7%, decreased from 3.1% in June

#### BOJ stance:

Paused hikes, cautiously adjusting bond purchases

### Eurozone (Germany)

#### 10Y yield:

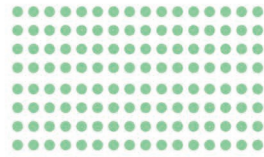
2.713, decreased from 2.706 in previous month

#### Inflation:

2.2%, slight uptick from the long term target of 2%

#### ECB stance:

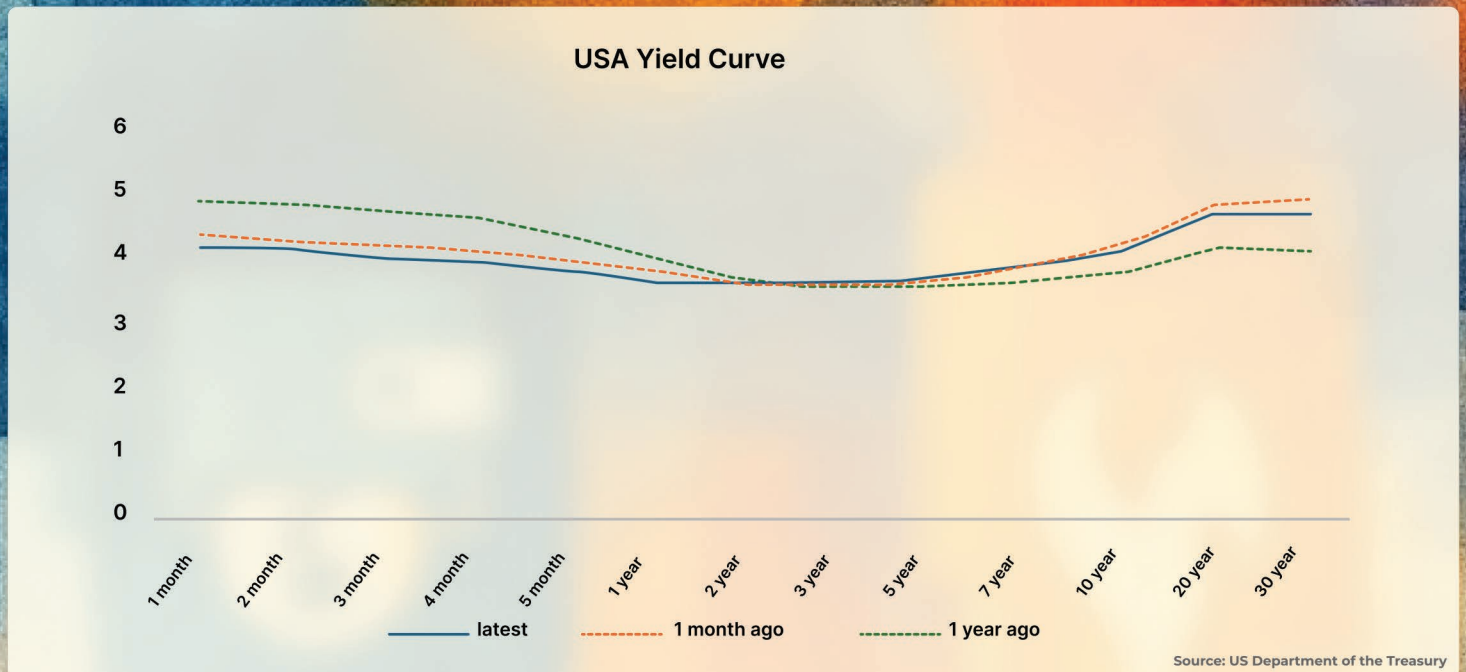
Paused rate cuts, decisions to be based on further data dependent changes



# Global Debt Outlook

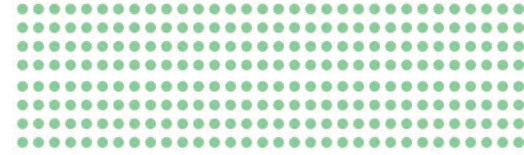
## Short-term yields

At the front end of the curve, yields have edged lower following the Fed's recent rate cut. **Markets are now pricing in the possibility of further data-dependent easing, but the decline has been modest as inflation remains above the Fed's target.** The stickiness of inflation is keeping expectations for aggressive cuts in check, leaving short-dated yields only slightly softer rather than dropping sharply.



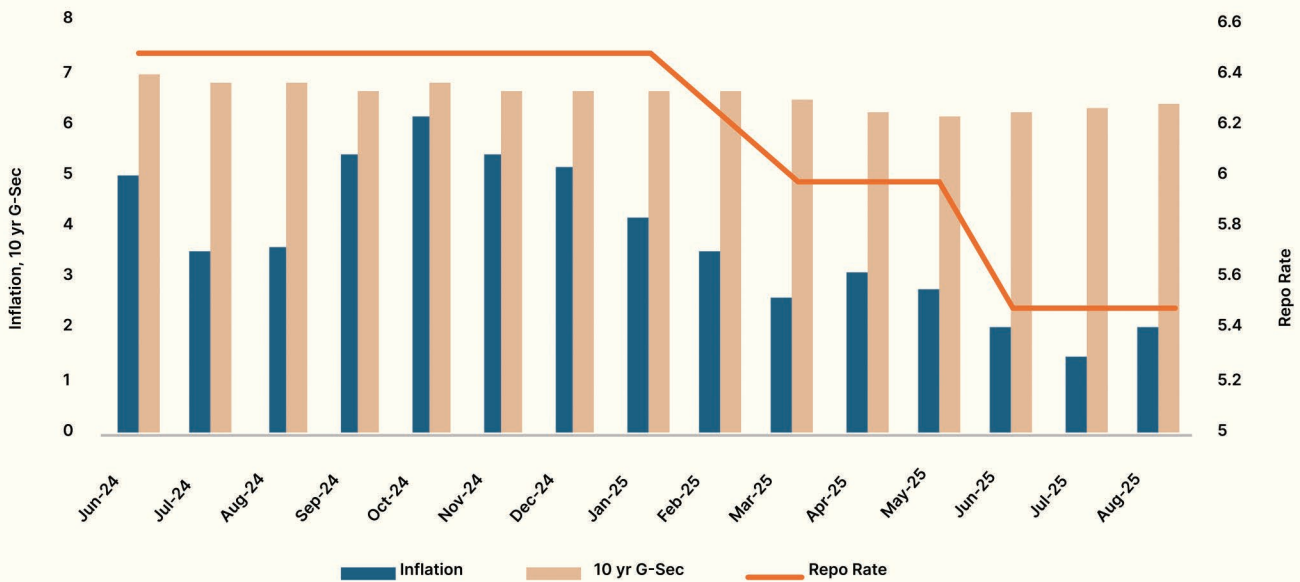
## Long-term yields

At the long end, yields have also eased but remain relatively elevated. **Strong GDP growth of 3.8% indicates that economic momentum is intact, and persistent inflationary pressures, coupled with ongoing heavy Treasury issuance,** are preventing a more pronounced decline in long-dated rates. Consequently, the curve remains relatively flat, with long-end yields anchored by growth strength and inflation concerns.



# Indian Debt Outlook

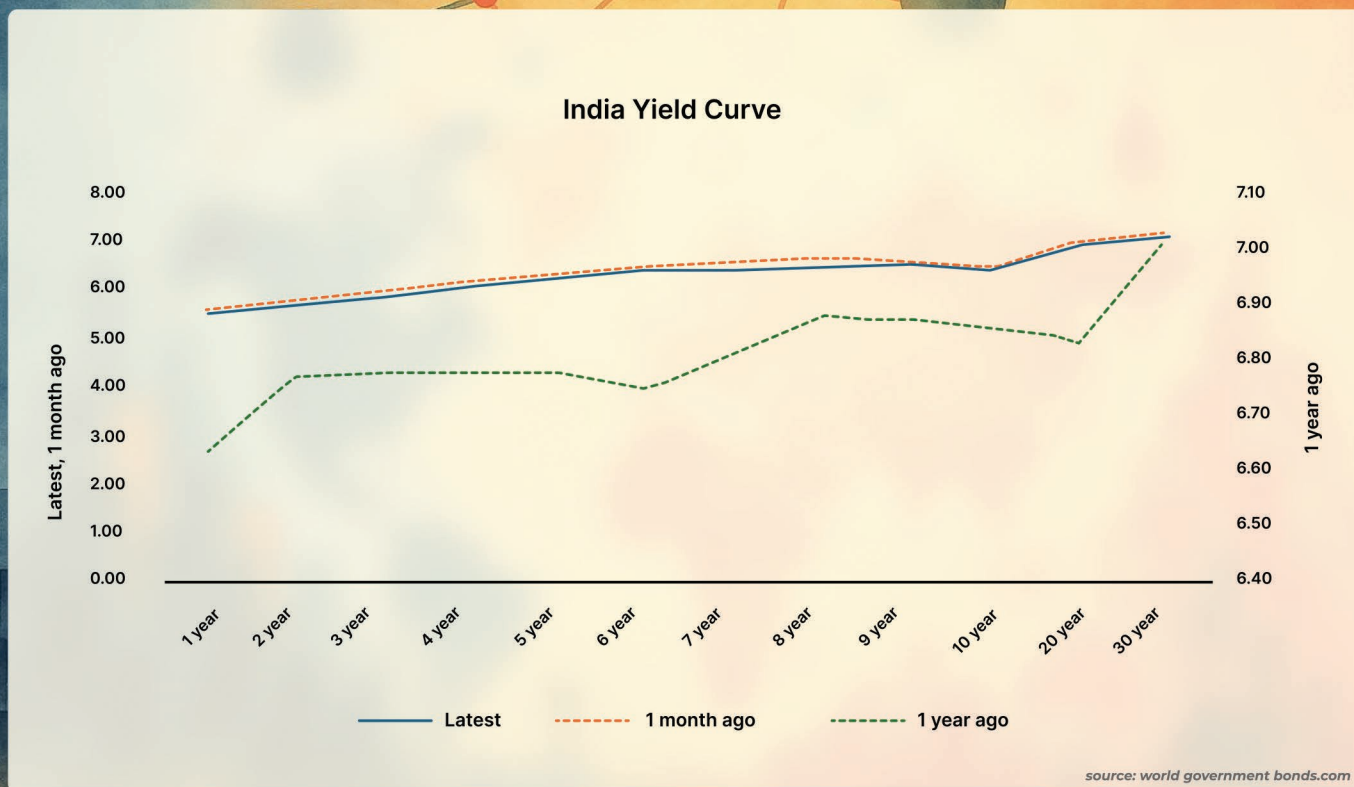
Over the past year, **India’s 10-year G-Sec yield has eased from around 6.85% in September 2024 to approximately 6.52% in September 2025, broadly tracking the sharp disinflation trend.** Retail inflation, which was above 5% last September, fell sharply to 2.07% in August 2025, with food prices even entering contraction. This disinflation trend created room for policy easing, prompting the RBI to reduce the repo rate to 5.50% by mid-2025.



Source: RBI, Investing.com

**In its October policy meeting, the central bank chose to pause the rate cut cycle, citing a softer inflation outlook, the lagged effects of prior policy measures still trickling through, and resilient domestic growth supported by healthy consumer demand, although some moderation is expected in the medium term.** Banking system liquidity remains ample, further underpinning short-term rates. Measures such as structured primary G-Sec auctions and careful tenor management of both central and state government issuances as announced by the central bank are expected to support yield stability.





## Short term yields

Indian bond yields at the front end have eased significantly over the past year, supported by disinflation to multi-year lows and the RBI's earlier cumulative 100 bps of cuts in 2025. **The central bank governor's recent comments suggesting room for further easing based on data, prevented any sharp rise in short-term yields.** With inflation expected to ease due to recent GST reductions and lower input costs, the market anticipates continued transmission of existing monetary policy measures, which should keep short-term rates contained.

## Long-term yields

At the long end, yields remain sticky despite the sharp disinflation backdrop, with the 10-year benchmark anchored near 6.42–6.50%. The RBI's rate pause has reinforced this stability, signalling that while the central bank is open to easing over time, it is not in a rush to frontload cuts. **Adding to the firmness are external factors, the rupee's depreciation past 88 per dollar has heightened concerns of imported inflation and portfolio outflows,** while tariff-related uncertainties cloud the medium-term outlook.

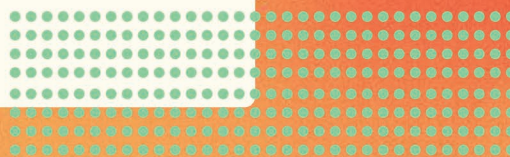
## Debt In-house View

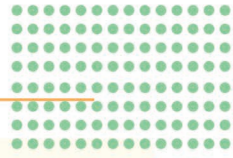
In its October meeting, the RBI decided to pause the easing cycle and adopt a cautious, wait-and-watch approach, while retaining a neutral stance, signalling that further easing will remain data-dependent. Recent GST reforms are expected to support demand and economic activity while softening inflation, as they may reduce prices across a broad range of items in the CPI basket. However, the central bank anticipates an uptick in inflation in Q4 due to tariff pressures and fading base effects. **At the long end, pressures from a depreciating rupee and government borrowing plans are likely to keep yields sticky, while these factors may lead to adjustments at the shorter end.**

Globally, after the Fed's 25 bps cut this month, short-end U.S. Treasury yields dropped sharply, while the long end eased more moderately, signalling that markets are bracing for further easing. Long-dated U.S. Treasuries remain elevated amid heavy issuances. **Meanwhile, a U.S. government shutdown can create downward pressure on short- to medium-term yields as investors seek safety amid growth concerns, while long-term yields could rise if markets demand a higher risk premium due to prolonged uncertainty, potentially weighing on the dollar.**

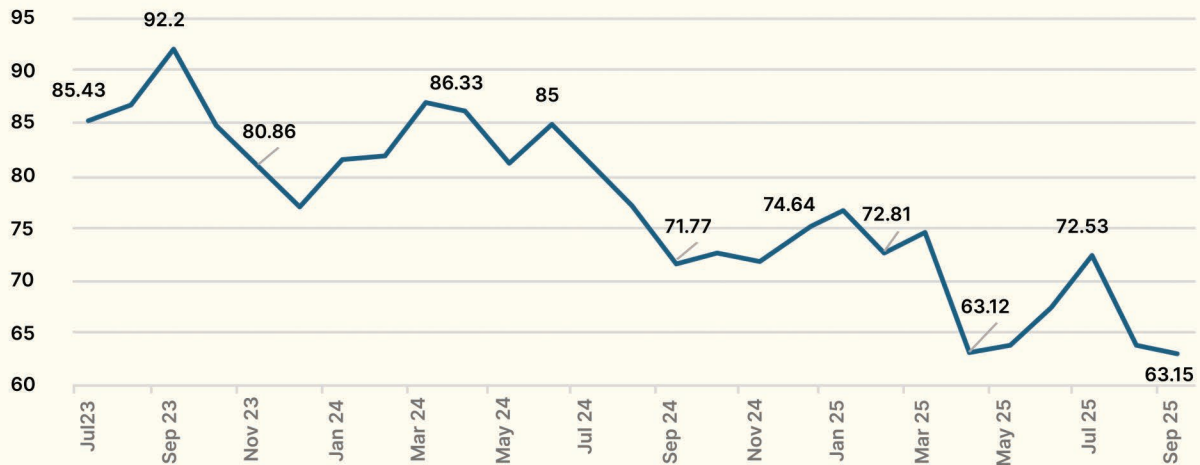
In Europe, the ECB has paused easing, citing inflation in line with its target and a wait-and-see approach regarding the impact of tariffs.

*Given these dynamics, a strategy that seeks selective opportunities in the short- to medium-end of the curve, while exercising caution across long-dated exposures, remains prudent. Selective credit exposure through standalone NCDs (investment grade & above) & performing credit AIFs make sense in the current environment where expectation of yield compression remains low with equity markets also witnessing time correction.*





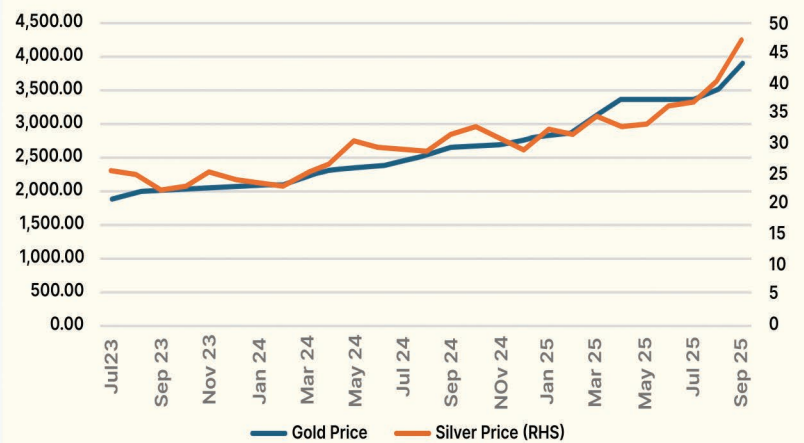
Brent Crude Oil WTI Futures Prices (USD/bbl)



In September, Brent crude prices saw a further decline of ~1.2% and YTD (CY) ~9% fall, pressured by abundant supply and only modest demand growth. **Global oil production reached a record 106.9 million barrels per day in August**, driven by OPEC+ continuing to unwind earlier output cuts and non-OPEC+ supply remaining near all-time highs. OPEC+ added roughly **547,000 barrels per day** in September, with further increases planned for October. On the demand side, growth remains sluggish, with the IEA forecasting an increase of around **740,000 barrels per day in 2025**, the slowest pace of expansion outside the Covid period. At the same time, inventories are expected to build by up to **2.5 million barrels per day** in the second half of the year.

**Gold extended its rally in September, with spot prices breaking past \$3,800/oz, setting fresh all-time highs.** The surge was driven by growing expectations of a U.S. Federal Reserve rate cut, which lowered yields and weakened the dollar, thereby enhancing gold's appeal. Heightened uncertainty from Washington's tariff expansions and unpredictable policy reforms also dampened private investment sentiment and made equities volatile. This has reinforced gold's role as a safe-haven, and, in addition, the possibility of a gradual restructuring away from the U.S. dollar has further strengthened its appeal. **This environment has pushed gold to a gain of nearly ~44% YTD (CY) and ~10% MoM.**

Gold and Silver Prices (USD/oz)



**Central banks remained a powerful source of support** as official data confirms 244 tonnes of net purchases in Q1 2025, followed by another 166 tonnes in Q2, **led by countries such as Poland, Turkey, Kazakhstan, and the Czech Republic.** The demand has slowed down modestly in July, but it remains firm. This underscores the continued appetite for diversifying reserves away from traditional currencies.

**Silver mirrored and even outpaced gold's momentum, climbing above \$42/oz in September, its strongest level in over a decade.** Investors added silver ETF holdings, while robust demand from solar, electronics, and battery sectors kept industrial consumption elevated. Structural supply deficits, which continue for fifth consecutive year, further tightened market conditions and increased silver prices. Together, these forces positioned silver as a standout performer of 2025, complementing gold's record-breaking run.

# Commodity In-house View

## Crude Oil

**Crude oil prices are expected to consolidate in the mid-\$60s to low-\$70s through the remainder of 2025.** Russia has announced partial diesel export cuts following Ukrainian drone attacks on its energy infrastructure however, the impact on global supply is expected to be limited. Overall, the market is poised for a period of relative stability, though it will remain sensitive to any escalation in geopolitical tensions or unexpected policy changes.

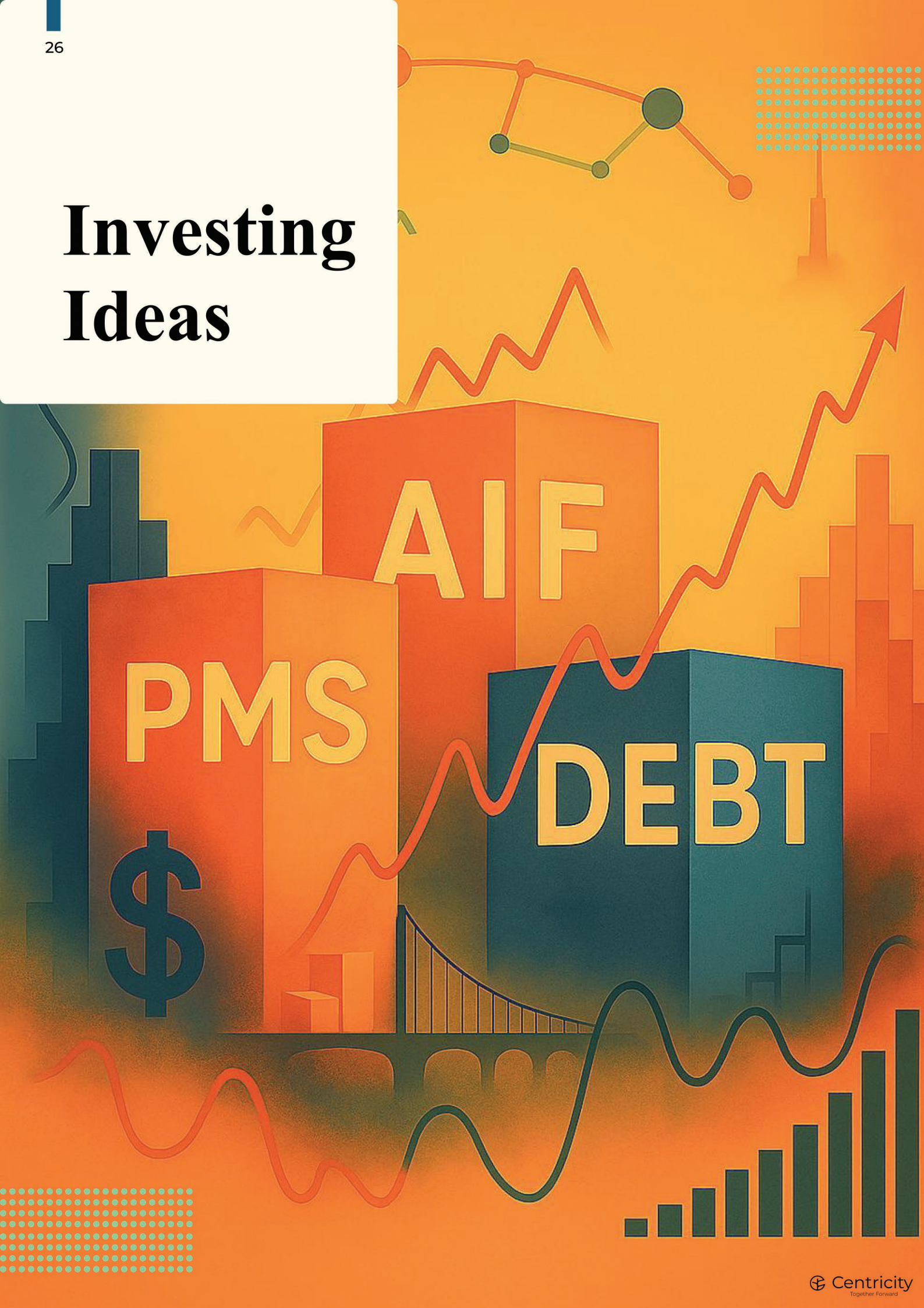
## Gold

**Gold is expected to remain in focus as a safe-haven asset** amid ongoing U.S. policy reforms, tariff uncertainties, and global fiscal volatility. **Central banks have already accumulated over 400 tonnes in H1 2025, and preliminary reports suggest buying continued into Q3,** underpinning structural demand. Investor appetite is likely to remain strong as equities stay volatile, and inflation expectations persist above central bank targets in major economies. While short-term movements may respond to changes in Fed policy signals and tariff policies, underlying demand from central banks and global investors is likely to sustain support for gold in the coming months.

## Silver

**Silvers' prices remain supported by strong industrial demand, structural supply constraints, and investor interest.** Its critical role in sectors such as solar energy, electric vehicles, and electronics underpins consistent physical consumption, while constrained production capacity contributes to structural tightness in the market. These dynamics are expected to keep silver well supported in the near term with some caution as markets remain sensitive to shifts in global demand and investor flows.

# Investing Ideas





# Products

Considering the current market landscape marked by global volatility and emerging domestic resilience, we are curating a carefully balanced set of investment ideas across asset classes. While India's macroeconomic fundamentals remain strong with easing inflation, supportive monetary policy, and a rebound in manufacturing and capex, supportive fiscal measures, including GST rate normalization and recent income tax cuts, are bolstering consumption and corporate earnings. In the long term, these steps strengthen domestic demand and provide an added cushion against global headwinds. At the same time, global challenges like the tariff war and equity market corrections call for a more thoughtful and diversified approach. The following strategies have been selected to help investors navigate near-term volatility while positioning portfolios for long-term growth. They reflect opportunities in business cycles, selective equity exposure across market caps, performing debt and special credit opportunities all with an emphasis on risk-adjusted returns and portfolio resilience in uncertain times.

Category	Sub-Category	Product	Rationale	Suitable Tenure	Expected Return Range (Net of Expenses)
Equity	Mutual Fund	Motilal Business Cycle Fund	Motilal Oswal Business Cycle Fund, managed by Niket Shah with a strong mid-cap track record, offers flexibility to move across market caps.	>3 years	14-17%
	PMS- Multi Cap	Buoyant Capital-Opportunities Strategy	Since inception, the fund has delivered a 22% IRR across market cycles, supported by its investment approach of balancing core and satellite portfolios. By actively shifting between defensive and aggressive positions based on market phases, it is well-positioned for today's dynamic environment.	>3 years	15-17%

Category	Sub Category	Product	Rationale	Suitable Tenure	Expected Return Range (Net of Expenses)
Equity	PMS- Multi Cap	Negen Capital-Special Situation & Technology Fund	With a 5-year TWRR of ~45%, the fund leverages rare value-unlocking opportunities like demergers, promoter changes, and delistings to capture alpha. Its focus on special situations and technology themes allows investors to access high-quality businesses at compelling valuations making it a powerful contrarian play in today's market.	>3 years	17-19%
	PMS- Mid & Small Cap	Carnelian Shift Strategy PMS	A concentrated portfolio of ~25 high-conviction ideas, pruned rigorously to retain only the best performers. It has delivered strong returns, with a 3-year CAGR of 33.6% and since-inception CAGR of 37.6%, far ahead of the BSE 500 TRI. The fund is led by founder Vikas Khemani, a veteran with 27+ years in capital markets and a proven track record in building market-leading businesses.	>3 years	17-19%
	PMS- Mid & Small Cap	Abakkus Emerging Cap Approach	With over three decades of experience, Sunil Singhanian brings deep market insight and a proven ability to generate long-term alpha in the mid and small cap space. His strong vintage and consistent performance across cycles make the fund well-equipped to navigate current market complexities.	>3 years	17-19%

Category	Sub Category	Product	Rationale	Suitable Tenure	Expected Return Range (Net of Expenses)
Equity	AIF-Long Short	ASK Absolute Return Fund	The fund can be a suitable option for investors looking to park funds for 12+ months, with an expected post-tax return of 7–8% and lower volatility (3.02%) compared to the Nifty (13.46%)	>1 year	11-12%
	AIF-Private Equity	Transition VC Fund	A fit for investors aiming for high-growth, impact-oriented allocation to the energy transition with active portfolio support and a thesis-driven process from sourcing through exits, targeting diversification across ~25 positions over the fund's 8+1+1-year tenure.	8 years	25-27%
Debt	AIF	Neo Special Credit Opportunities Fund II	Targeting a 22–24% IRR, the fund lends to cash-flow generating businesses in special situations — from one-time settlements to growth capital — backed by hard assets and robust collateral. With a strong track record of exits and downside protection, it offers an attractive risk-adjusted yield in India's expanding private credit landscape.	6.5 years	17-18%

Category	Sub Category	Product	Rationale	Suitable Tenure	Expected Return Range (Net of Expenses)
Debt	AIF	Vivriti Short Term Debt Fund	Fund is a professionally managed, open-ended debt AIF targeting double-digit pre-tax returns with low volatility and quarterly liquidity, ideal for investors seeking stable, short-term income from a diversified, 100% investment-grade portfolio of short-maturity NCDs, PTCs, and commercial paper.	>1.5 years	12-13%
	AIF	Mosaic Multiyield Fund Series I	Targeting a 14-16% gross IRR, the fund builds a granular, fully secured credit portfolio across 25–35 profitable and bankable firms. With multi-manager, multi-strategy diversification and a strong risk framework, it offers high-yielding, collateral-backed exposure in performing credit, without venturing into distressed or venture-style debt.	~5 years	13-14%



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