



# Alpha Strategist – Oct'25

## **“Moments of Truth”**

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# Summary

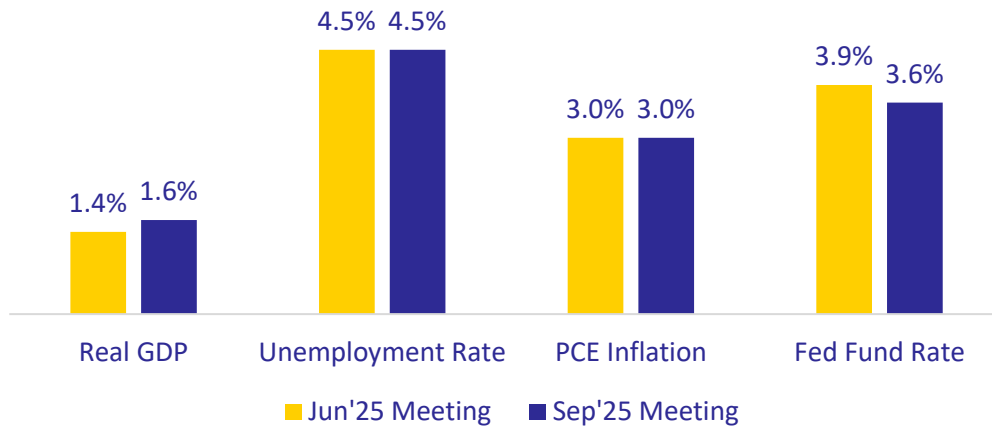
- U.S. govt went into shutdown due to partisan disagreements over federal spending levels. Historically, shutdowns have had minimal market impact.
- The market breadth in US remains narrow. The top-10 companies command ~35–40% of index cap and a record share of earnings; outside the top-10, profits have been largely flat in recent years—so ex-mega caps the market looks much less buoyant.
- INR has been depreciating despite a softer DXY, low inflation, steady CAD, and high FX reserves. The reasons being other than macro: tariff-related pressures and continuous FPI outflows.
- Domestic demand have been slowing down and could have resulted in single-digit sales growth of Nifty-500 companies in last 9 quarters. However as policy transmission gathers pace—with GST rationalization, lagged effect of income-tax cuts, RBI easing year to date, and ample liquidity filtering through; pick-up in consumption demand is visible which could lead to a recovery.
- The pre-tariff front-loading of U.S. imports from India gave way to softer shipments once phased tariffs kicked in from Aug '25. The full demand/price pass-through to Indian exporters is likely to unfold in the coming months.
- We believe that next 2-3 months to be the "**Moments of Truth (MoT)**" for the market and economy as reality of the tariffs impact and government reforms on demand confronts the expectations built from these.
- Equity allocation stance continue to remain neutral with exposure of 60% to large-cap and 40% (overweight by 5%) to mid/small. Deployment could be lumpsum in Hybrid Strategies while staggered approach over the next 3 months is suggested for pure equity oriented strategies.
- For Fixed Income, we continue to suggest allocation to accrual strategies across the credit spectrum and to regular income-generating real assets.
- We maintain a neutral stance on gold from asset allocation perspective. After sharp rally in Silver, risk-reward does not look favorable at current levels



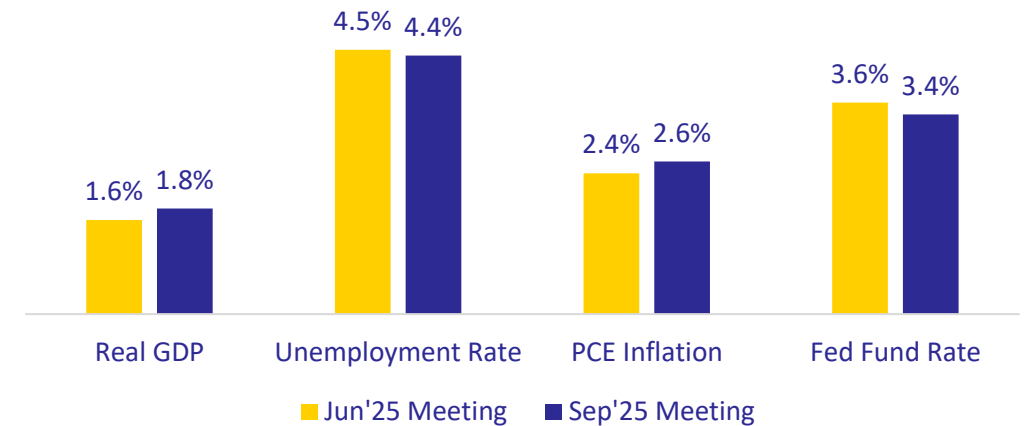
# Highlights

# US – FOMC Meeting

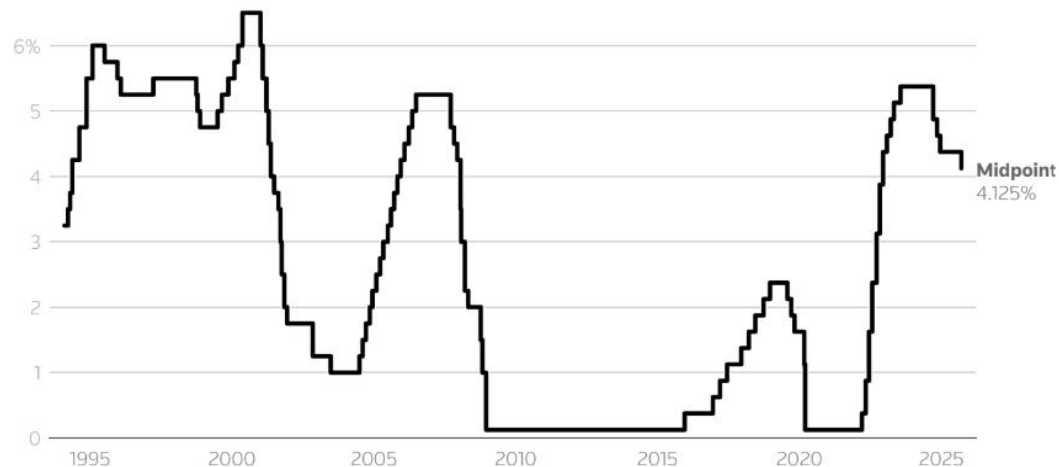
FOMC Projections for CY2025



FOMC Projections for CY2026



Federal funds target rate



- Cut the fed funds target range by 25 bps to 4.00%–4.25% emphasizing that downside risks to employment have risen
- Median path pointed to two more cuts in 2025, keeping the target range at 3.50%-4.00%
- May need to maintain a balanced path, keeping caution towards inflation vs. labor-market softness

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**Infinite Possibilities. Enduring Relationships.**

Source: Federal Reserve

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# US Shutdown – Minimal Impact event

Resolution Time

8 days on average of the total 21 shutdowns

S&P 500 Returns

12/21 times i.e. 57% times positive

Impact on  
Workforce

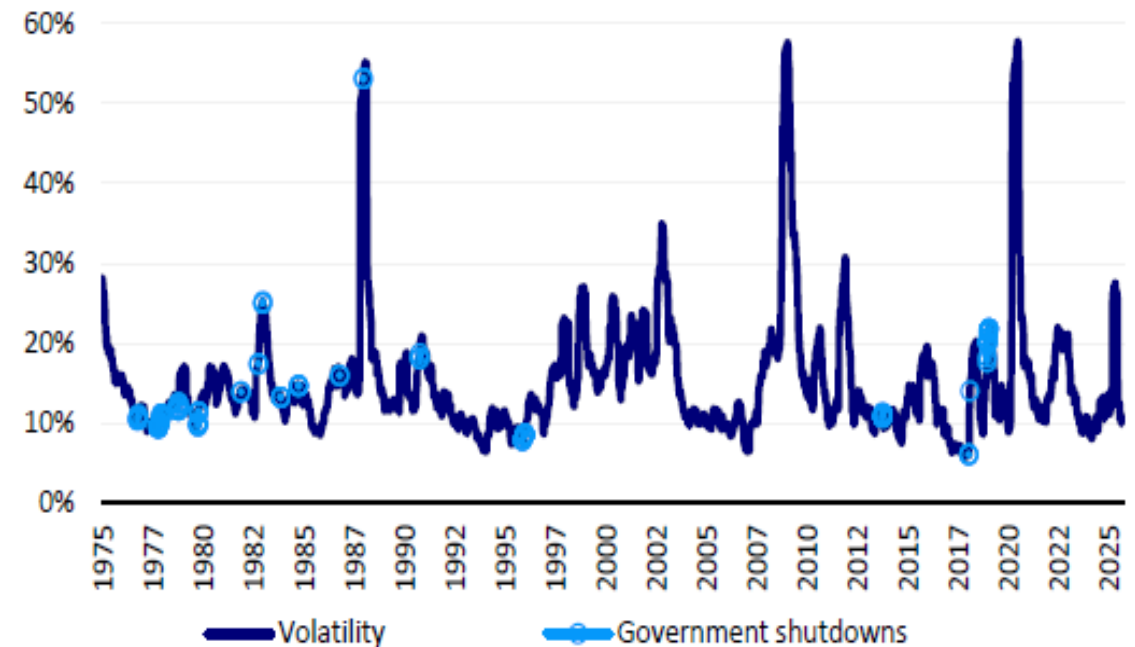
Fed workforce as a % of total workers at its lowest



**Possibility of Impact = Minimal**

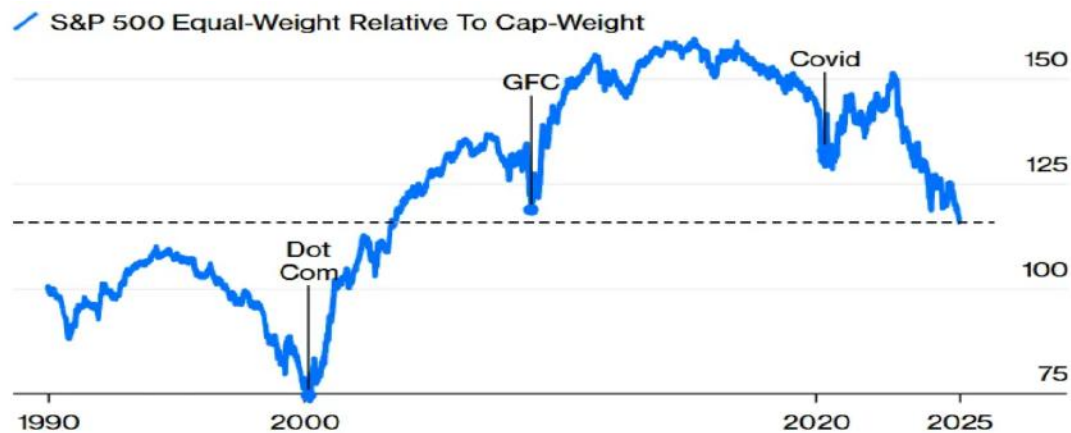
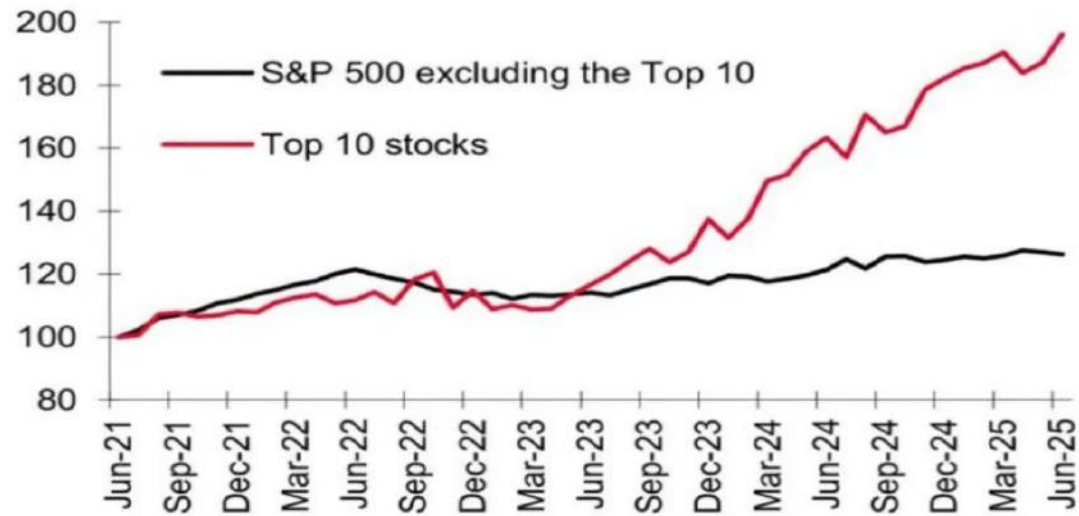
Market volatility often results from policy uncertainty.  
For most shutdowns, it has been low during government shutdowns.

Dow Jones Industrial Average price 3-month moving volatility



Source: Bloomberg L.P., 1/2/75 - 9/23/25. Volatility is measured by the standard deviation of price moves on returns of the index. Standard deviation measures a range of total returns for a portfolio or index compared to the mean. An investment cannot be made into an index. Past performance does not guarantee future results.

# S&P500 – Top 10 / AI leading the Index



Source: Bloomberg

Data is normalized with factor 100 as of January 2, 1990.



- The market-cap of top 10 stocks have rallied post Q1FY23. Excluding their performance, the S&P 500 has stayed flat since 2022
- S&P 490 has no earnings growth since 2022, while the Top 10 has seen growth of more than 2.5x
- The performance of S&P 500 equal-weight compared to cap-weight index has dropped to its weakest in 22 years

Source: Bloomberg, SGAR

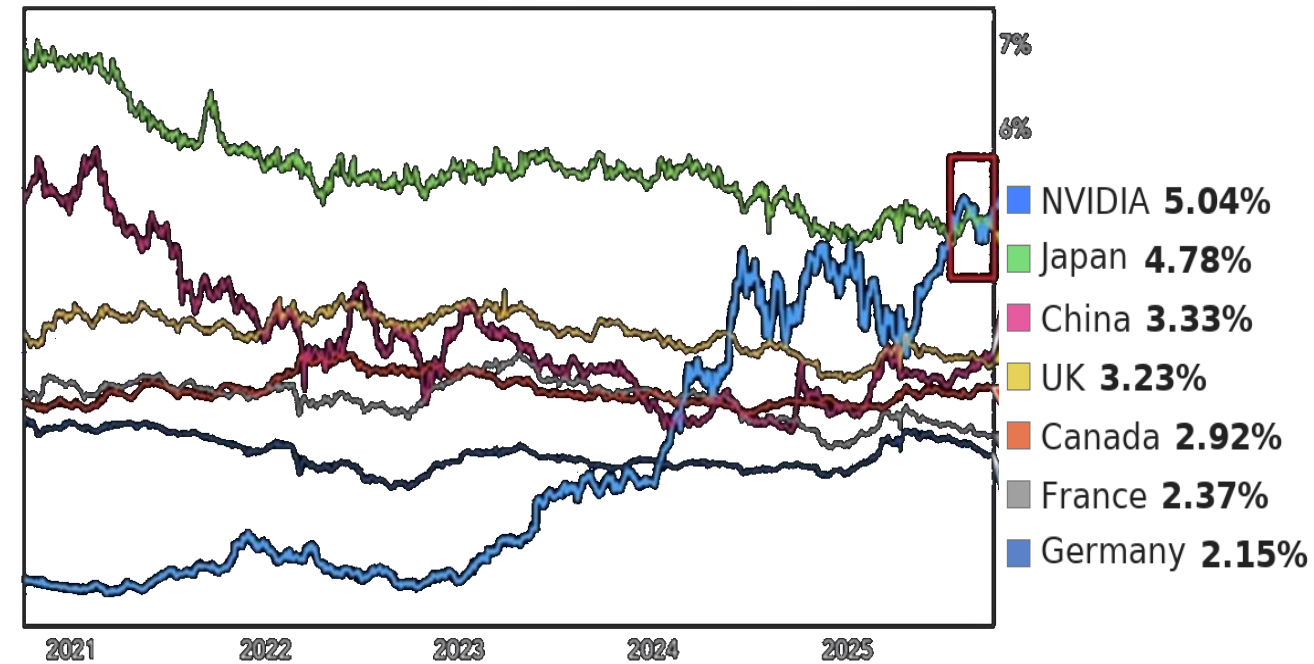
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# Top US Companies – Earnings Growth and Valuations

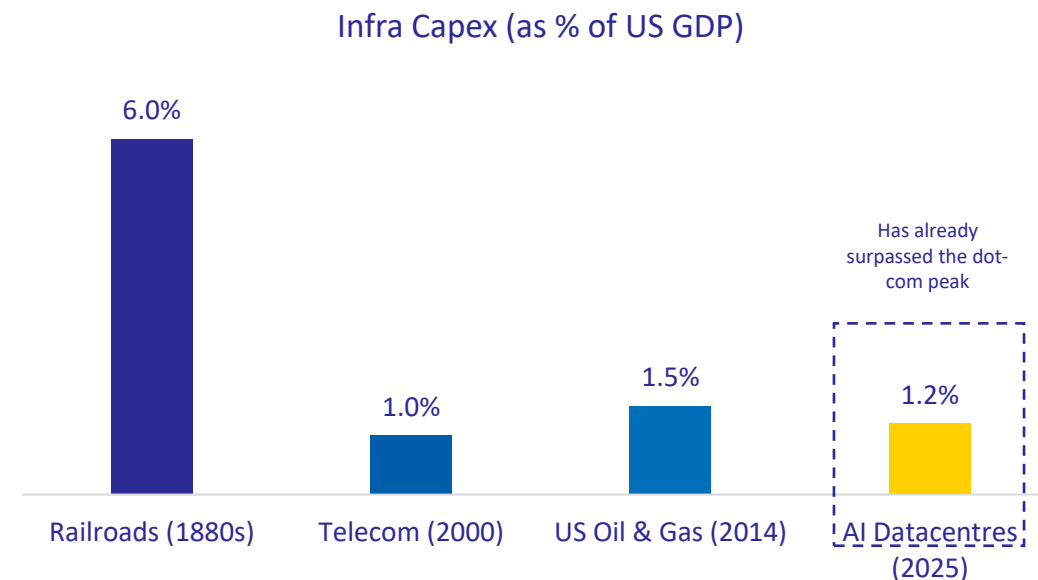
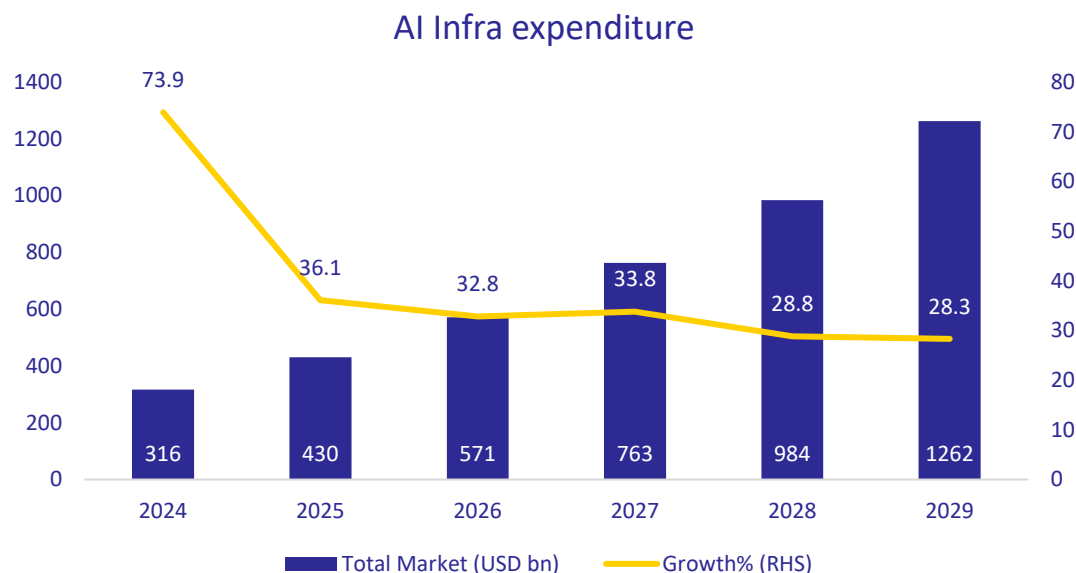
Company Name	Market Cap 1 Year ago (Bn)	Current Market Cap (Bn)	Growth (%)	TTM PAT as on June'25 (Bn)	TTM Earnings Growth (%) as on June'25	TTM PE
Nvidia	3132.9	4496.5	43.5%	86.6	59.2%	53.6
Microsoft	3044.1	3894.8	27.9%	101.8	23.6%	38.5
Apple	3370.6	3806.3	12.9%	99.3	9.3%	39.0
Alphabet	2006.3	2972.2	48.1%	115.6	19.4%	26.3
Amazon	1897.6	2365.3	24.6%	70.6	34.7%	33.7
Meta Platforms	1479.4	1797.8	21.5%	71.5	36.2%	25.9
Broadcom	817.7	1584.3	93.7%	18.9	172.7%	85.8
Tesla	769.4	1396.9	81.6%	5.9	-16.3%	267.9
Taiwan Semiconductor	809.7	1218.6	50.5%	49.4	60.7%	31.5
Oracle	471.0	807.7	71.5%	12.4	-0.1%	67.0
Palantir	87.1	432.2	396.2%	0.8	143.6%	623.5
ASML	321.3	409.3	27.4%	11.0	45.1%	36.5
AMD	276.7	343.3	24.0%	2.8	229.1%	128.1
SAP SE	254.3	319.3	25.5%	7.7	91.1%	41.7
IBM	209.2	269.6	28.9%	5.8	19.6%	46.3

**ACWI Weight**



- Nvidia's single-name weight in MSCI ACWI has crossed entire-country weights like Japan/China

# Boom towards AI expenditure



- According to International Data Corp., this AI transformation is still in its early stages, with AI IT spending estimated at \$430 billion in 2025 and exceeding \$1 trillion by 2029.
- As per analyst speculation, based on Nvidia's latest datacenter sales figures, AI capex may be ~2% of US GDP in 2025.



# Big Tech's role in AI Capex

Company	Fiscal period	Earlier planned capex	Latest / expected capex	Change	Notes
<b>Alphabet (Google)</b>	CY2025	~\$75B (first guide in Feb'25), per earnings coverage.	~\$85B (raised at Q2'25 call, Jul 23).	+\$10B (~+13%)	Raised due to “additional investment in servers,” faster deliveries, and accelerated DC build-outs to meet Cloud/AI demand.
<b>Meta</b>	CY2025	\$60–65B (Jan'25 indication).	\$64–72B (updated with Q1'25 prepared remarks, Apr 30).	+( \$4–7B) (range shifted up)	Majority supports core + AI; update reflects <b>additional DC investments</b> and higher infra hardware costs.
<b>Microsoft</b>	FY2025 (to Jun'25)	<i>(No lower formal range disclosed earlier)</i>	~\$80B to build AI-enabled data centers (announced Jan 3).	—	Company framed FY25 as an ~\$80B AI/DC build year from the outset; more than half in the U.S.
<b>Amazon</b>	CY2025	“> \$100B” signal (Feb 7).	About / more than \$100B reiterated through mid-year (Q2 commentary).	≈ flat vs initial	CFO & press signaled a > \$100B 2025 capex year (heavy AWS/AI). Subsequent color kept the bar around ~\$100B+.

DC - DataCenter

# De-dollarization may be a gradual process

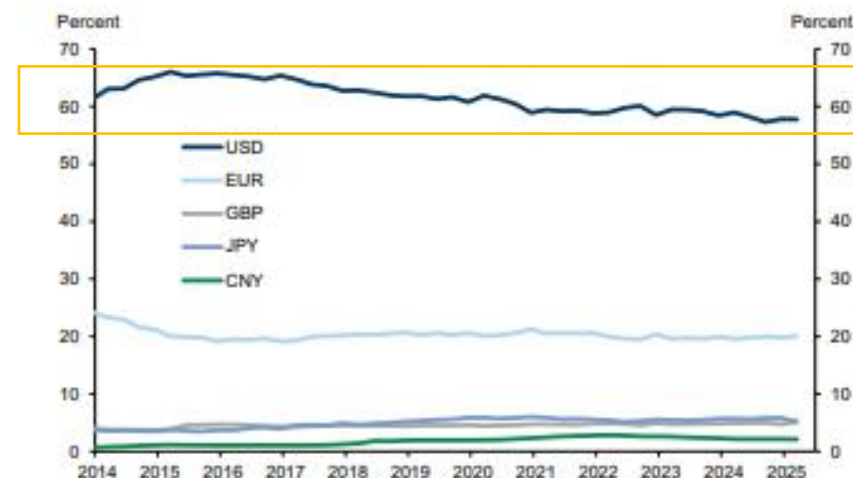
The share of US dollar denominated assets as a % of total foreign assets have been declining but that's only **half the picture**

**US Treasury Net Monthly Inflows Total (Official + Private)  
by Foreigners**



Since 2019 the 12 month rolling US net monthly inflows has been continuously positive, and has **climbed to a record 1.74Trn in the 12 months ending June'25**

**Currency share of Central Bank Reserves**



Since 2015, the dollar share of currency reserves has only **declined by around 8pp** & there is a **long way to go to erode** the dominance of Dollar share

## Limitation of Other currencies

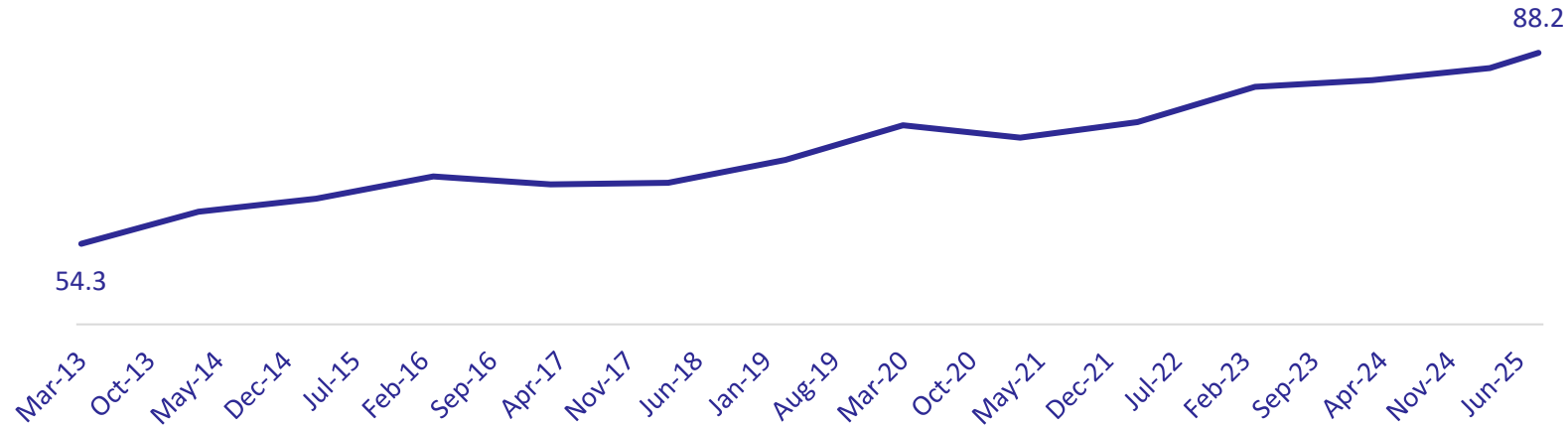
**Euro** : Financial markets remain fragmented and, without a corresponding fiscal authority to back the monetary union, there are risks for international investors in stressed situations

**China**: Highly controlled capital markets, and focus on trade & financial stability rather than capital flow

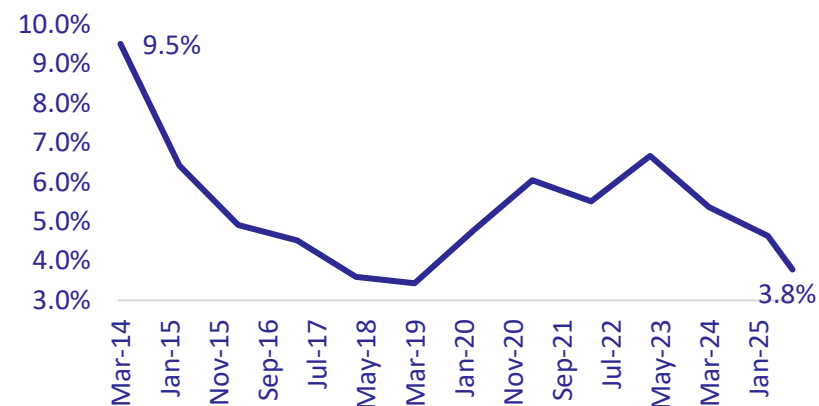
**BRICS** : Trade in bilateral currencies become an issue when they are not balanced over time and have limited alternative uses.

# Steep INR depreciation despite strong macros

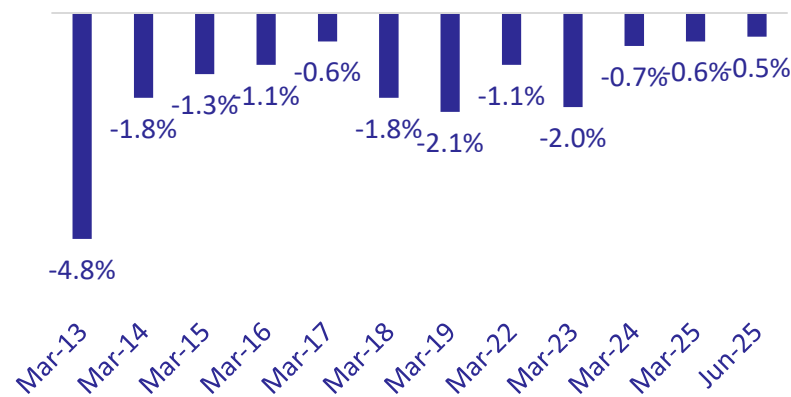
USD/INR



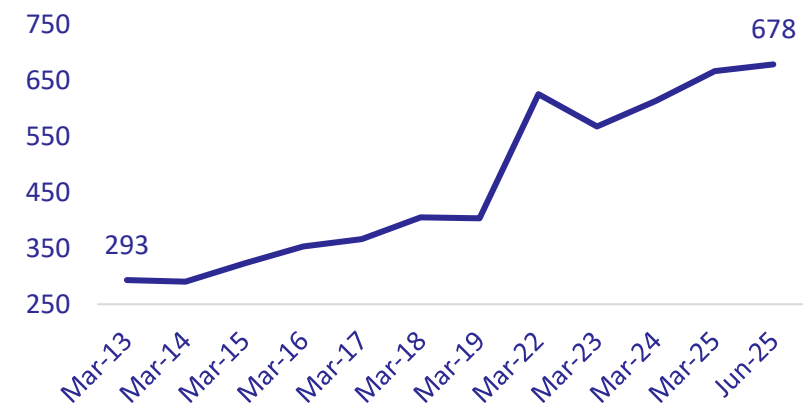
CPI Growth (12M Moving Avg)



Current A/C balance (as % of GDP) - 4QMA

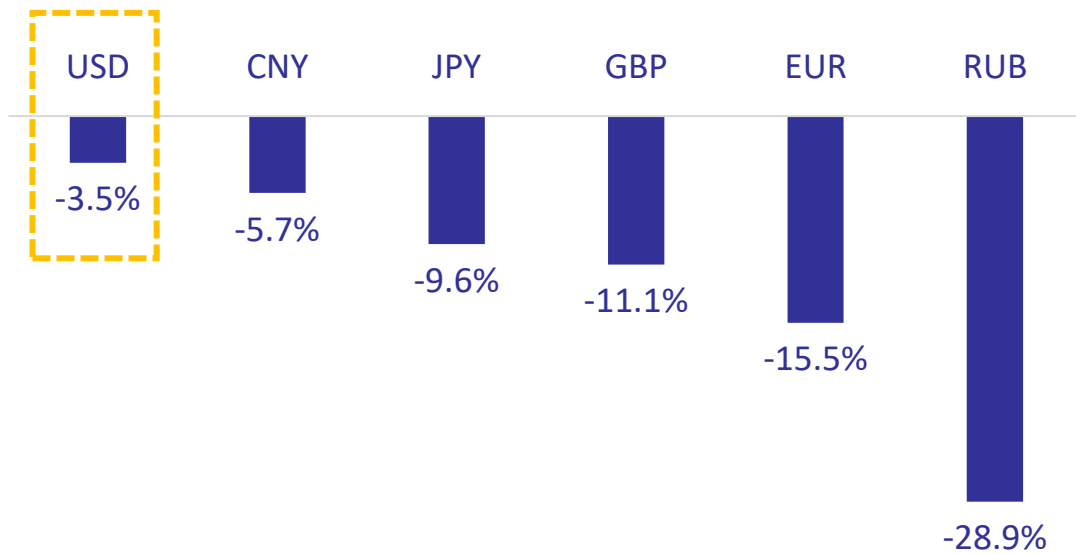


FX Reserves (USD Bn) - 4QMA



# INR weakens against major currencies

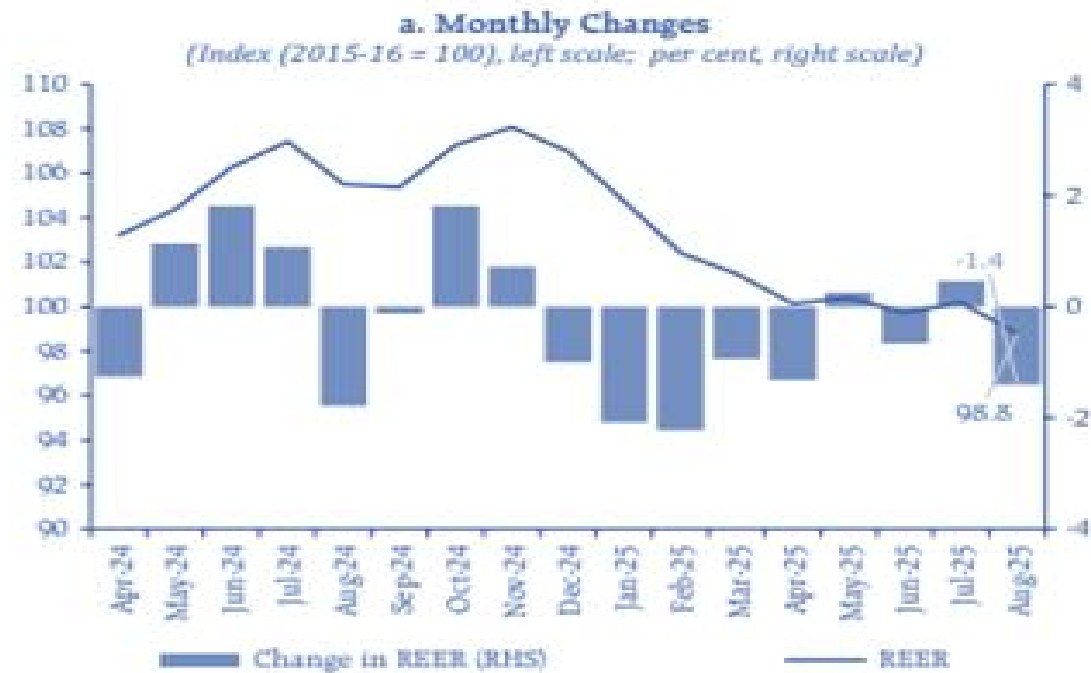
FYTD INR movement against major currencies



INR has seen significant depreciation owing to tariffs & continuous FII outflows

FYTD movement against major currency as on 3<sup>rd</sup> Oct

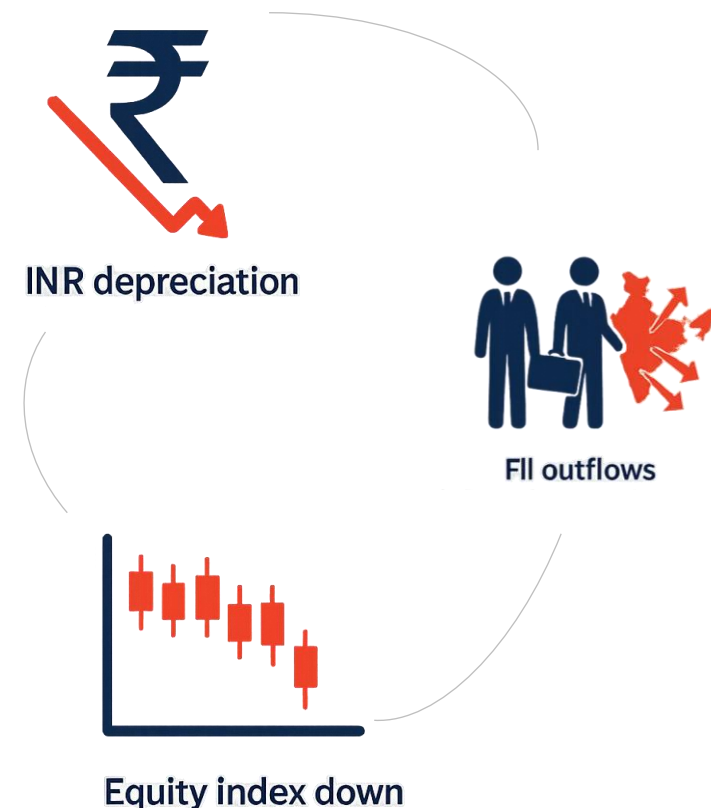
Movement in 40-Currency REER



The REER has also fallen significantly owing to the fall in Nominal Exchange rate as well as the fall in inflation

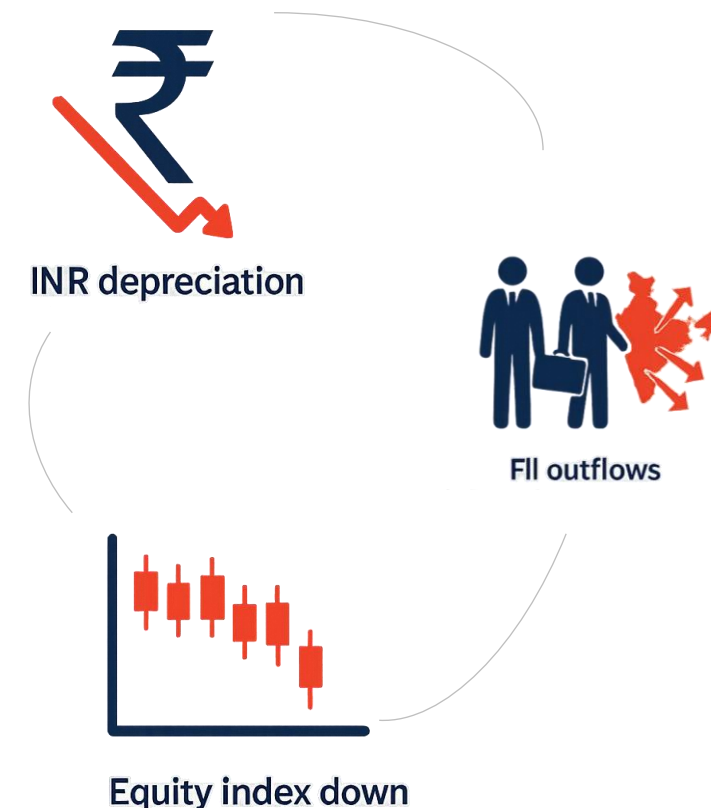
# Sensitivity of FII Flows and Markets to INR/USD

	Depreciation	Net Equity Flows	Nifty 50 Market Movement
May'08 – Feb'09	20.7%	- \$10.8 Bn	-46.2%
May'10	4.5%	- \$2.0 Bn	-3.6%
Aug'11 – May'12	21.1%	+ \$5.8 Bn	-10.2%
May'13 – Aug'13	18.3%	+ \$0.1 Bn	-7.7%
Aug'15 – Feb'16	6.2%	- \$6.7 Bn	-18.1%
Aug'18 – Oct'18	7.4%	- \$5.3 Bn	-8.5%

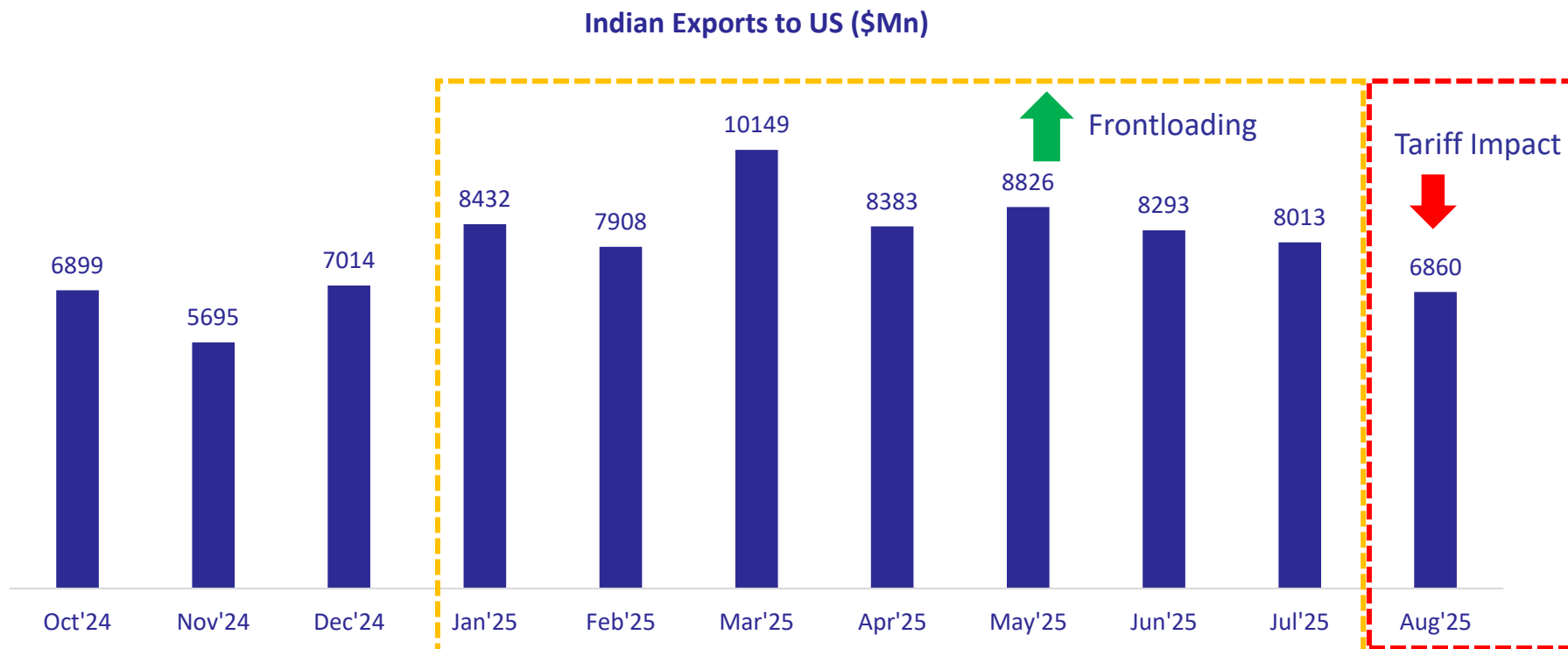


# Sensitivity of FII Flows and Markets to INR/USD

	Depreciation	Net Equity Flows	Nifty 50 Market Movement
Jul'19 – Aug'19	3.5%	- \$4.1 Bn	-6.5%
Mar'20	3.7%	- \$8.4 Bn	-23.2%
Oct'21 – Jun'22	6.1%	- \$33.3 Bn	-10.7%
Oct'24 – Sep'25	5.7%	- \$28.1 Bn	-4.6%



# MoT - Real Impact of Tariff to play out ...



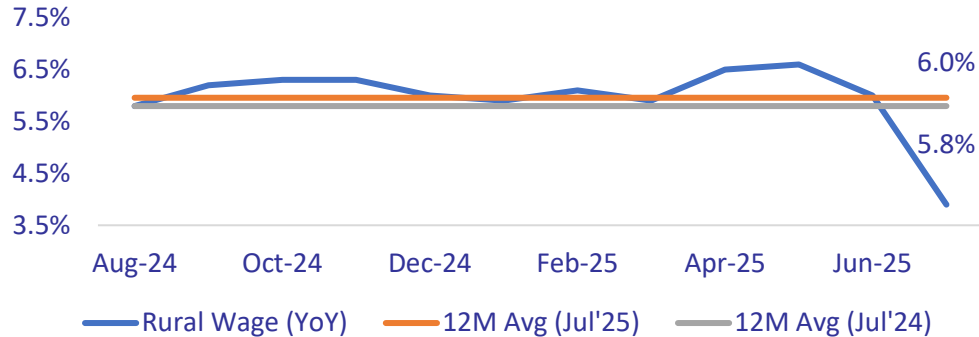
## Timeline

- Apr 2** : 26% Tariffs
- Apr 9** : 90 day pause with 10% baseline tariffs
- Aug 6** : 25% Tariffs
- Aug 27** : 50% Tariffs

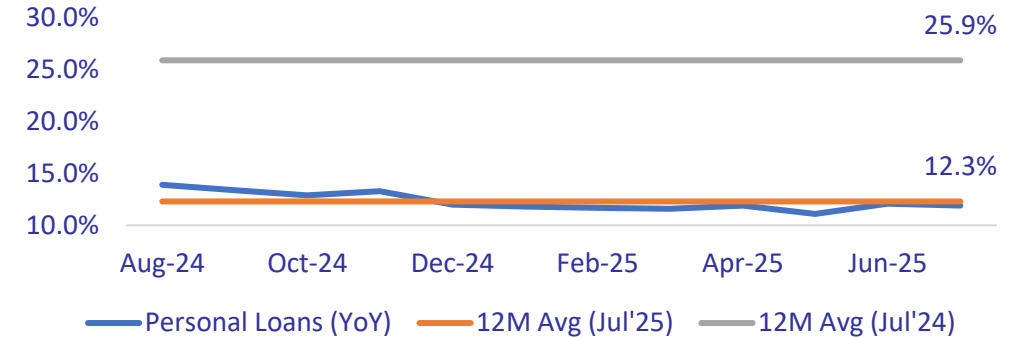
The US imposed tariffs on several Indian exports. While exporters had frontloaded shipments earlier to cushion the initial blow, those inventories will run out soon. As a result, we may see the **real impact of tariffs play out now**, with potential pressure on export volumes and margins in the coming months.

# Slowdown seen in Consumption/Demand factors (till Jul'25)

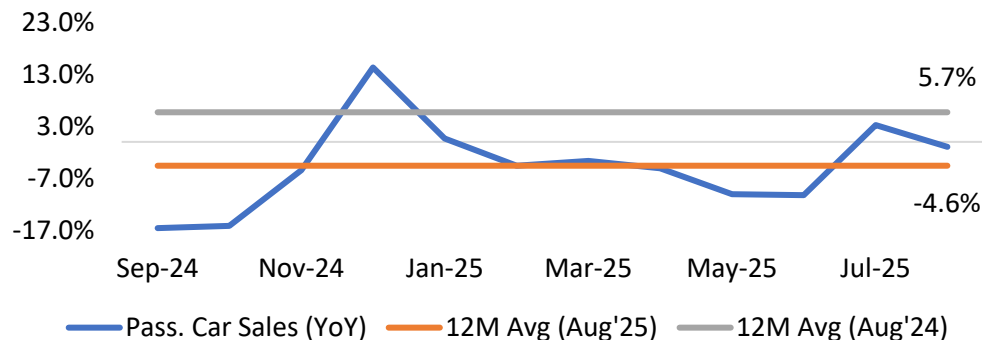
Rural Wage Growth (YoY) and 12M Average



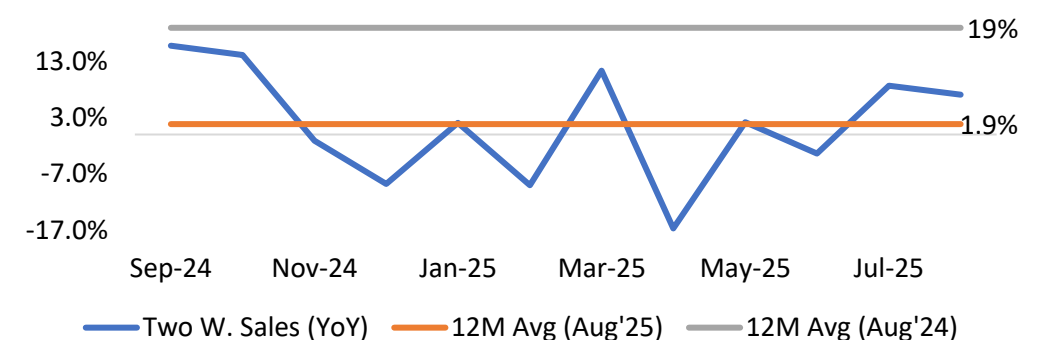
Personal Loans growth (YoY) and 12M Average



Passenger car sales (YoY) and 12M Average



Two wheeler sales (YoY) and 12M Average

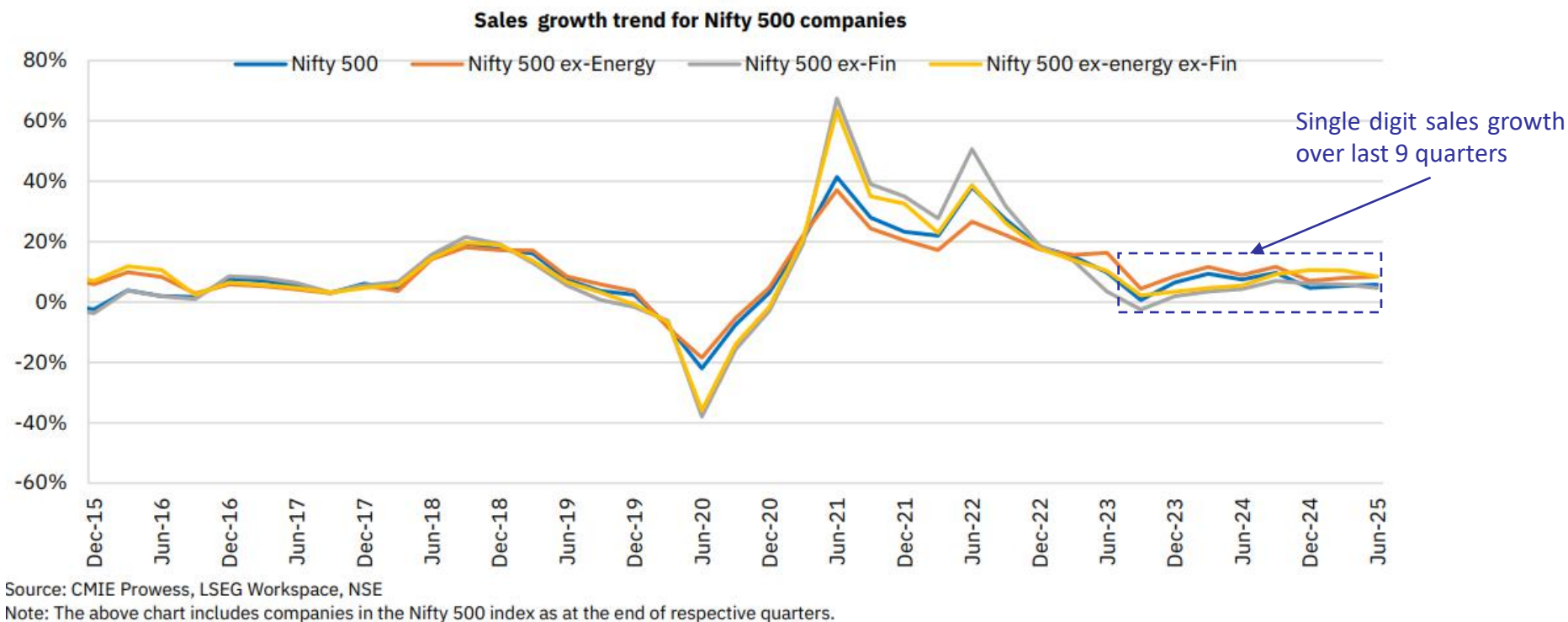


- Softer passenger-car and two-wheeler sales plus personal-loan growth now below last year's average signal fading urban discretionary demand and a cooler credit impulse (EMIs/tighter underwriting). Unless financing costs ease or confidence turns, FY26 volume growth looks more grind than glide.



....and Broad Based Topline growth has been flat

### Quarterly trend of Nifty 500 revenue growth (YoY)



- Topline growth for the Nifty 500 remained steady at 5.9% YoY in Q1FY26, up from 4.6% YoY growth reported in the Q1FY25. However, the growth has remained in single digits for nine straight quarters, reflecting underlying demand challenges

# MoT – Green shoots in Consumption (Part I)

**Auto** consumption buoyed by festive demand and GST Cuts

Company	Sep-24	Sep-25	Growth
Maruti	1,84,727	1,89,665	2.6%
Tata Motors	71,345	96,769	35.6%
Hyundai	64,201	70,347	9.5%
M&M	1,31,085	1,66,409	26.9%
Hero Moto	6,37,050	6,87,220	7.8%
Eicher Motors	86,978	1,24,328	42.9%
Ashok Leyland	17,233	18,813	9.1%
Bajaj Auto	4,69,531	5,10,504	8.7%
Escorts Kubota	12,380	18,267	47.5%
TVS Motors	4,82,495	5,41,064	12.1%

01

Maruti Suzuki

**1.65** Lakh sales

In Navratri vs 1 lakh sales in the previous year

02

Mahindra & Mahindra

**60%** jump

In SUV sales compared to the festive season last year

03

Tata Motors

**50** thousand

Cars sold within the 8 days driven by models like Altroz, Punch & Nexon

Source: MO internal research

Disclaimer: The above data is for informational purpose and not a recommendation or advise on any stock

# MoT – Green shoots in Consumption (Part II)

## Consumer Electronics

Festive season sales

Haier :	➔	85% growth in sales
LG Electronics:	➔	“exponential growth”
Godrej Appliances:	➔	“double digit growth”
Vijay Sales:	➔	20%+ growth in sales
Reliance Retail:	➔	20%-25% growth

## Real Estate

35%	➔	YoY growth in Mumbai’s property registration to 12070 units for the month of Sep’25
47%	➔	YoY Surge in Mumbai’s stamp duty collection to Rs 1292 Cr for the month of Sep’25

## Petroleum

01

**7.5% YoY** Petrol sales in September  
**6.3% YoY** Diesel sales in September

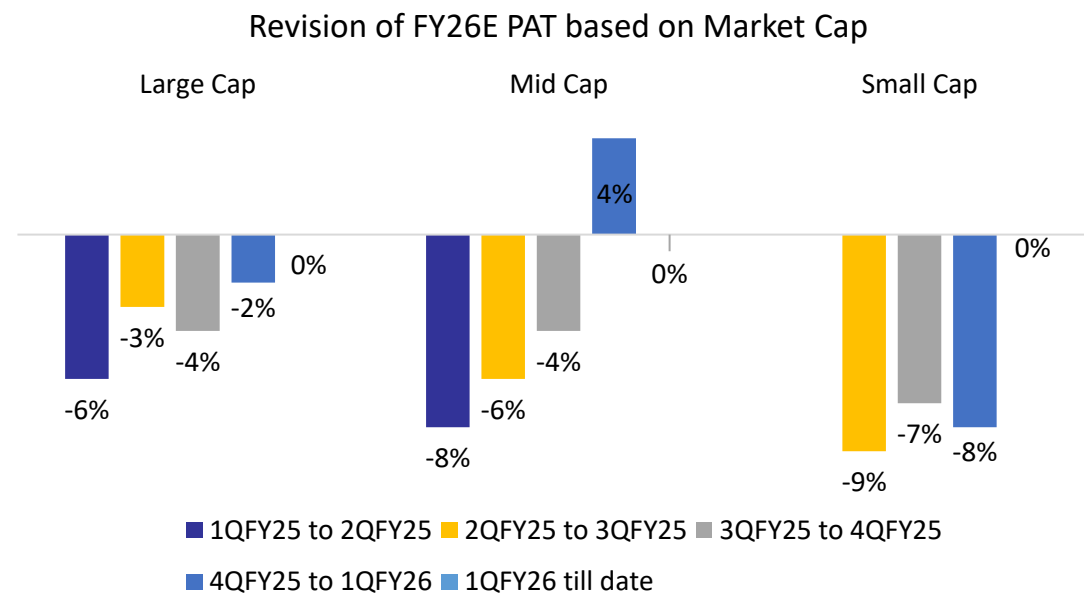
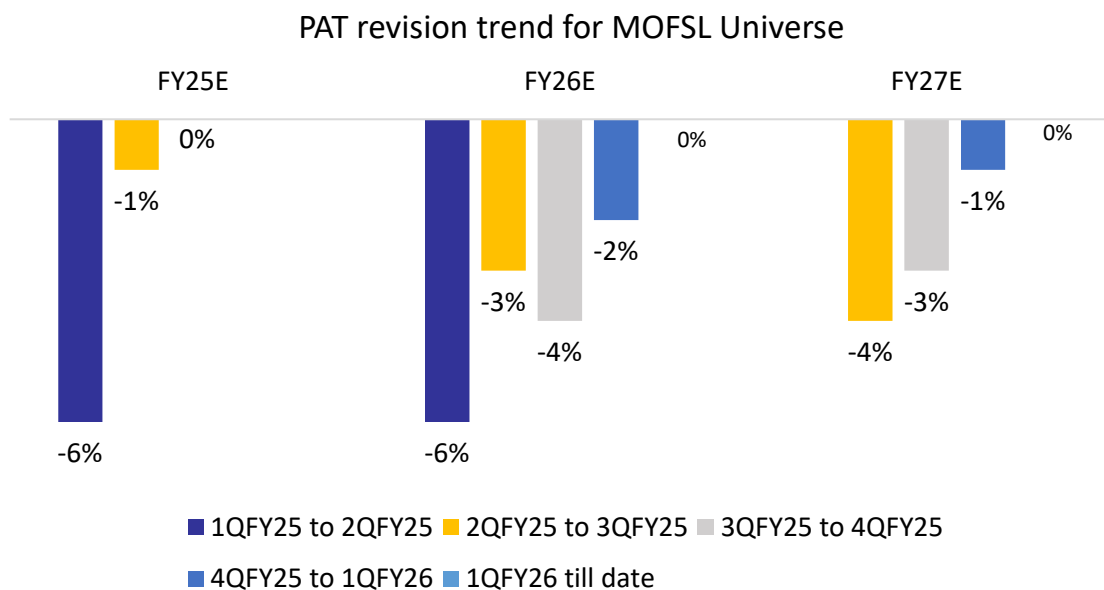
## Festive Consumption

02

**Rs 12 – 14 lakh Crore**

Expected consumer spending in the festive season led by clothing, marriages, electronics & automobiles – BOB Report

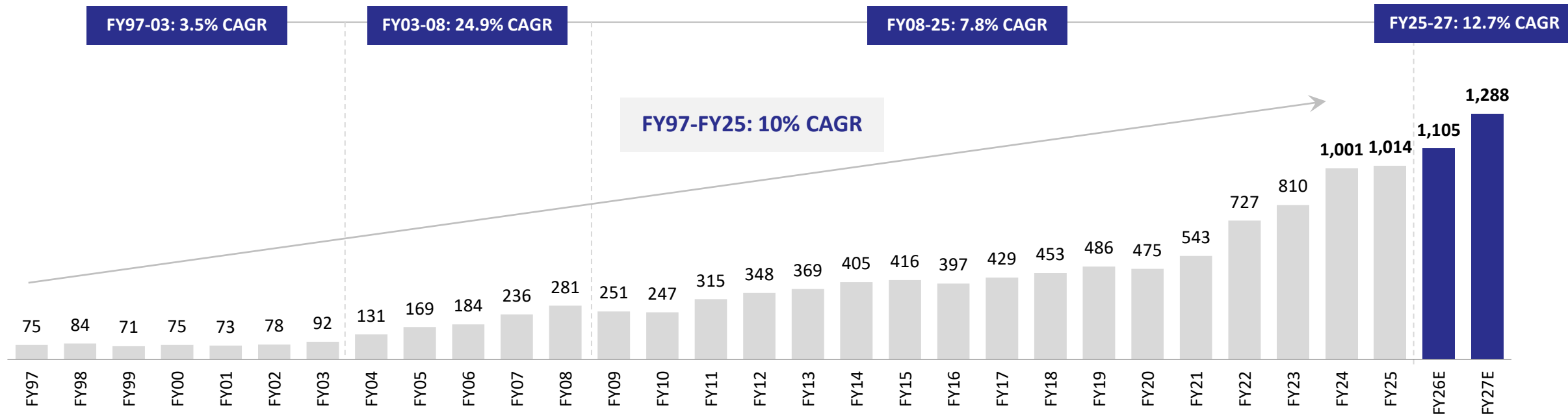
# Easing earnings cut trajectory



- The intensity of earnings cuts has eased to modest levels - the latest quarterly cuts have been the lowest in the past four quarters
- FY26 PAT/EPS estimates for MOFSL universe/Nifty have been cut by ~13% /~16% since 1QFY25 already

Source: MOFSL Research Report

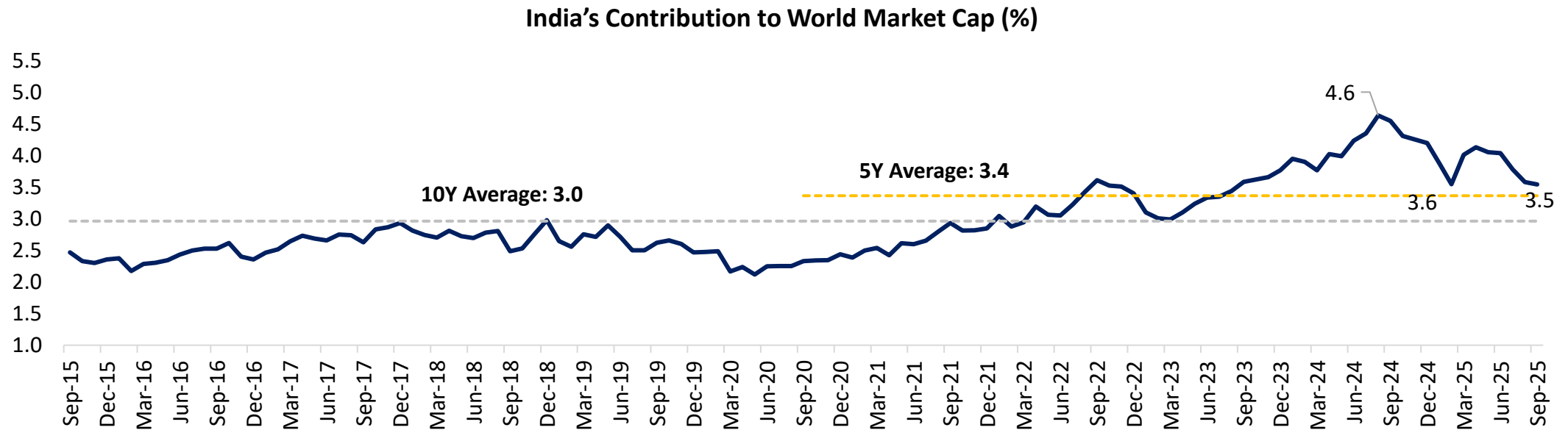
# Nifty 50 – Earnings Growth Outlook



Nifty EPS expectations: FY26 - to grow by 9.0% to 1105 and FY27 – to grow by 16.6% to 1288.

Source: MOFSL, Internal Research

# India's Contribution to World Market Cap



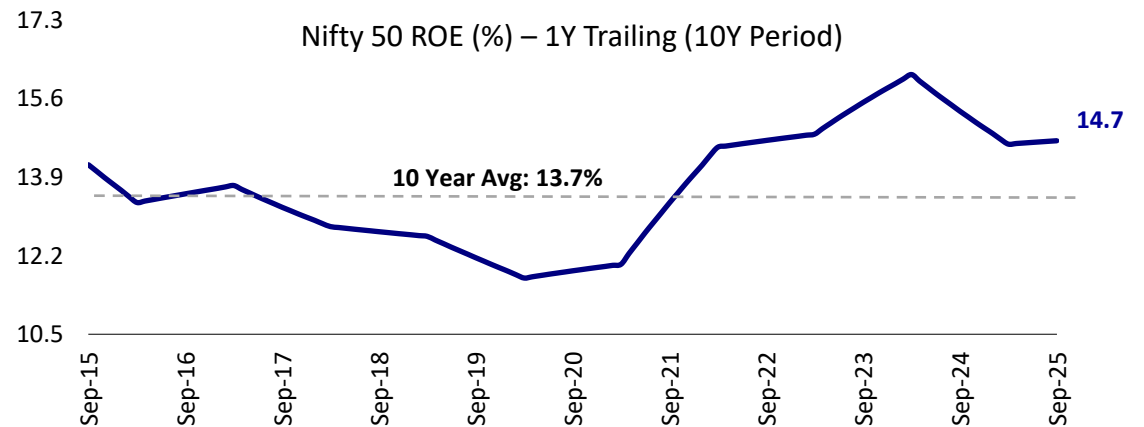
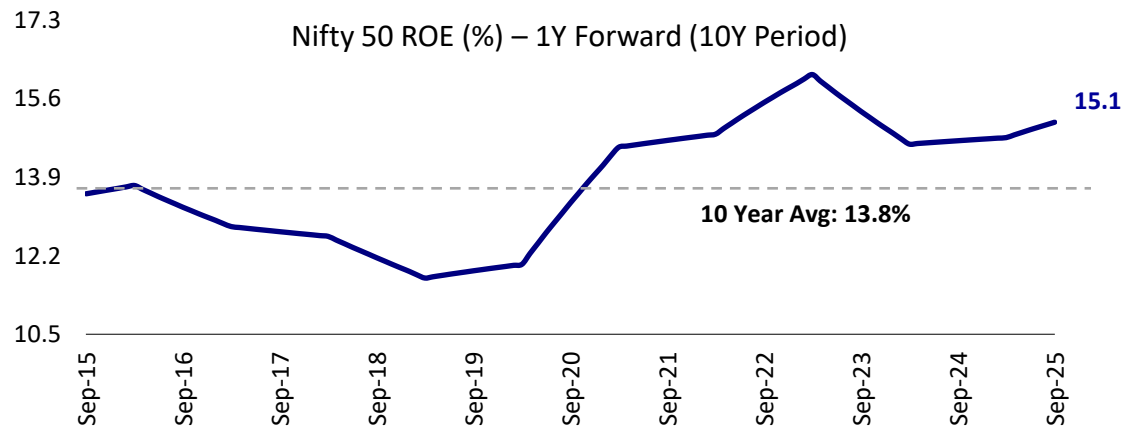
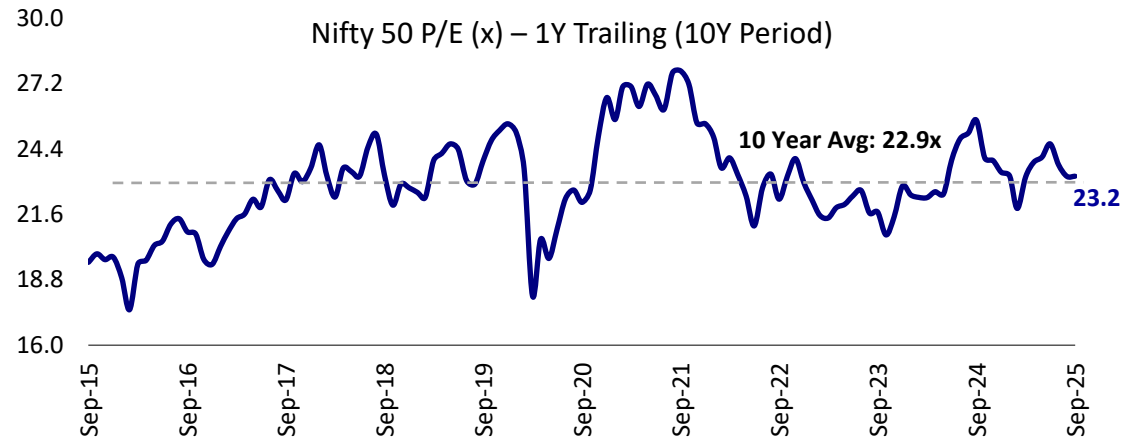
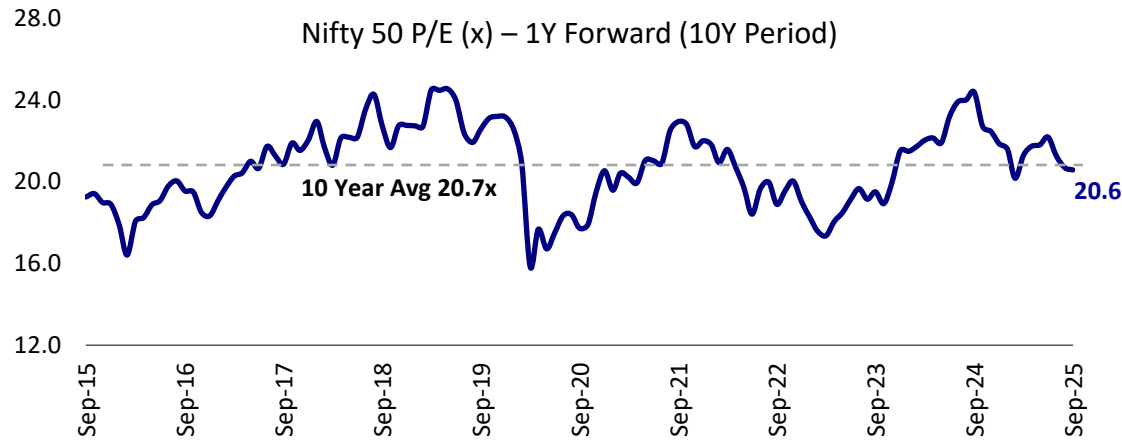
Trend in India's contribution to global market cap dips to a **2-year low at 3.5% in Sep'25**. This number is close to the last 5-year average and **50 bps above the last 10-year average**.



# Equity

# Valuations now pricing in steady ROEs

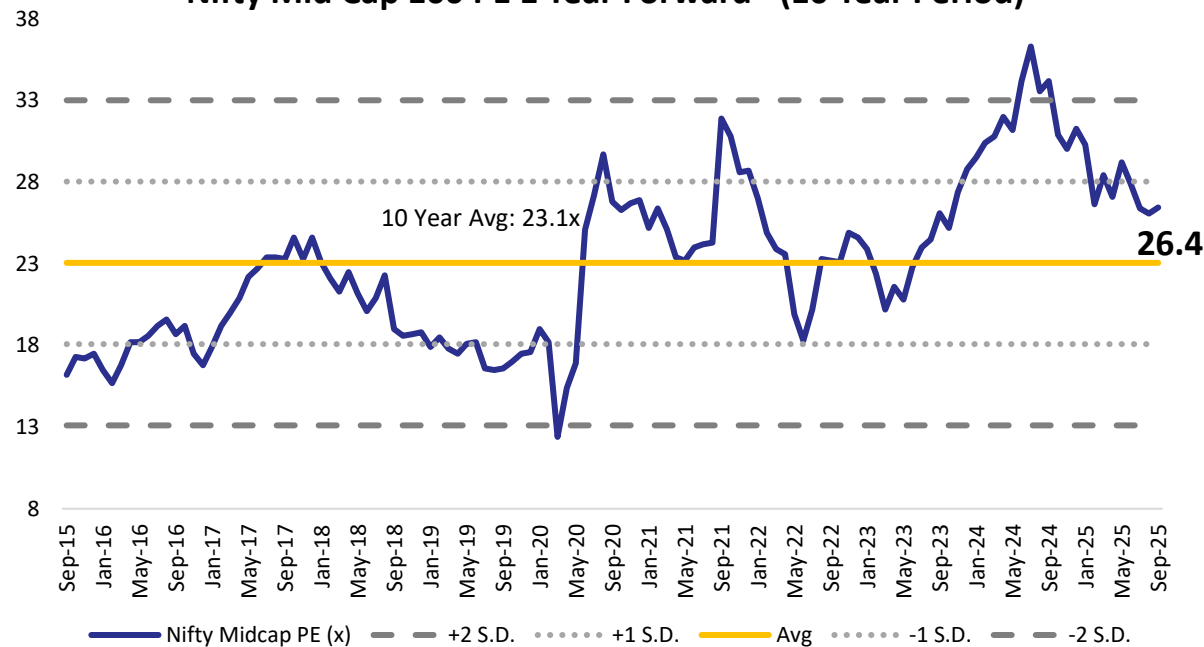
**P/Es have cooled from prior peaks while ROE has improved.** This combination suggests that the market is no longer paying higher multiples for the same earnings and is now pricing steady EPS growth.



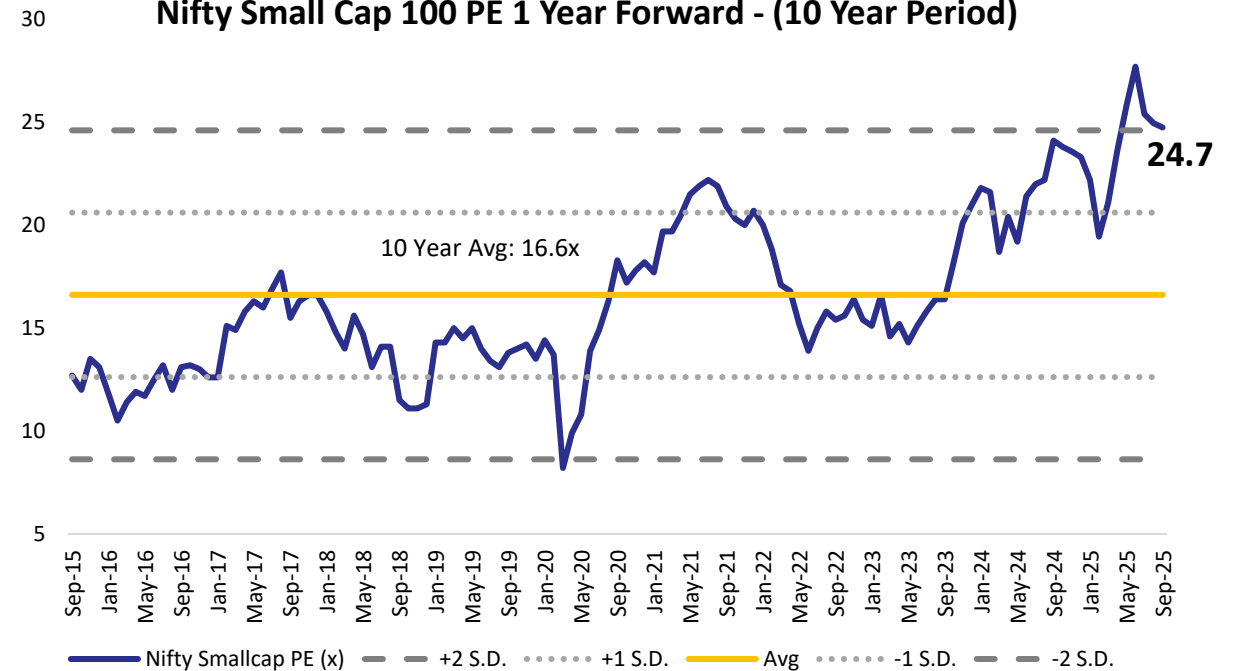


# Mid and Small Cap Valuations – As per Forward Earnings

**Nifty Mid Cap 100 PE 1 Year Forward - (10 Year Period)**



**Nifty Small Cap 100 PE 1 Year Forward - (10 Year Period)**



Mid Cap and Small Cap 100 forward PE continues to be above its long-term averages, indicating a continued sense of expensive valuations in the market.

# SMID Valuation Movement

## Midcap 150

Count	As on the end of the period *(Oct data as on 7 <sup>th</sup> Oct)										
PE Range	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Jan-25	Feb-25	May-25	July-25	Oct-25
PE > 100	4.7%	16.0%	14.7%	8.7%	15.3%	15.3%	14.0%	13.3%	17.3%	16.7%	16.7%
PE 70-100	6.0%	6.7%	11.3%	10.7%	10.7%	14.0%	11.3%	12.7%	6.7%	10.0%	6.0%
PE 50-70	11.3%	14.0%	15.3%	22.0%	22.7%	15.3%	16.0%	16.7%	17.3%	18.0%	17.3%
PE 20-50	40.7%	32.0%	29.3%	34.0%	26.7%	36.7%	39.3%	38.7%	36.7%	36.0%	40.7%
PE<20	37.3%	31.3%	29.3%	24.7%	24.7%	18.7%	19.3%	18.7%	22.0%	19.3%	19.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## Smallcap 250

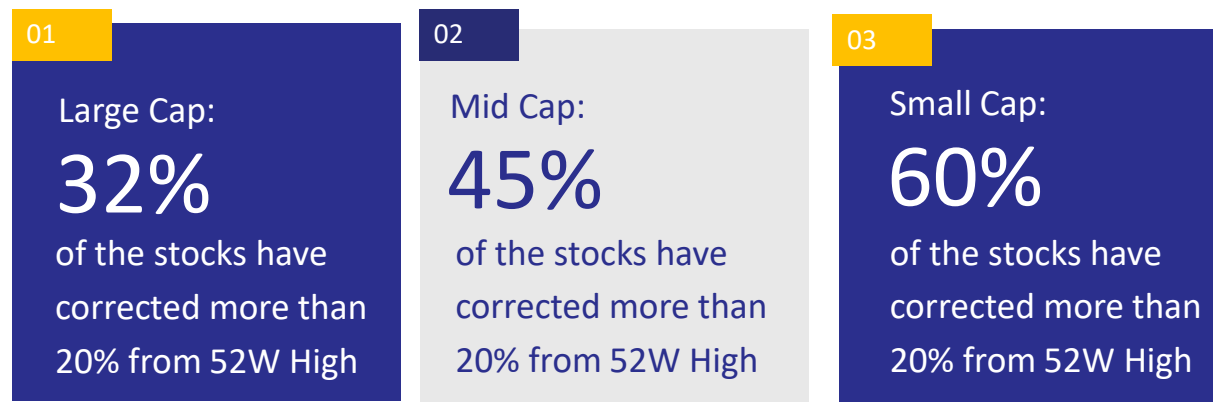
Count	As on the end of the period *(Oct data as on 7 <sup>th</sup> Oct)										
PE Range	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Jan-25	Feb-25	May-25	Jul-25	Oct-25
PE > 100	4.0%	8.0%	9.2%	6.0%	9.2%	16.0%	11.2%	11.6%	12.0%	14.0%	14.8%
PE 70-100	5.2%	2.4%	7.6%	7.6%	12.8%	11.2%	10.8%	10.4%	11.6%	12.4%	9.2%
PE 50-70	7.2%	7.6%	8.8%	12.4%	13.6%	16.4%	12.4%	15.6%	18.0%	16.4%	16.4%
PE 20-50	26.8%	31.6%	35.2%	35.2%	37.6%	30.4%	36.4%	34.4%	36.0%	35.2%	38.4%
PE<20	56.8%	50.4%	39.2%	38.8%	26.8%	26.0%	29.2%	28.0%	22.4%	22.0%	21.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100%</b>	<b>100.0%</b>

# Extent of Correction across Indices

	Change in Index		Avg % Fall in stock		Number of Stocks with extent of fall from 52W High				
	from 52W High	Since 27 <sup>th</sup> Sep High	from 52W High	Since 27 <sup>th</sup> Sep High	<10%	>10% and <20%	>20% and <30%	>30% and <40%	>40%
Nifty 100 Stocks	<b>-5.7%</b>	<b>-5.7%</b>	<b>-14.9%</b>	<b>-9.3%</b>	<b>44</b>	<b>24</b>	<b>22</b>	<b>5</b>	<b>5</b>
Nifty Mid Cap 150 Stocks	<b>-3.9%</b>	<b>-3.6%</b>	<b>-18.7%</b>	<b>-3.5%</b>	<b>38</b>	<b>45</b>	<b>45</b>	<b>16</b>	<b>6</b>
Nifty Small Cap 250 Stocks	<b>-8.8%</b>	<b>-8.0%</b>	<b>-24.4%</b>	<b>-7.5%</b>	<b>37</b>	<b>63</b>	<b>69</b>	<b>41</b>	<b>40</b>

Data as on 7<sup>th</sup> Oct 2025. September 27 has been considering as Nifty 50 reached its all time high on that date.

Individual stock correction is more severe than what the index suggests.



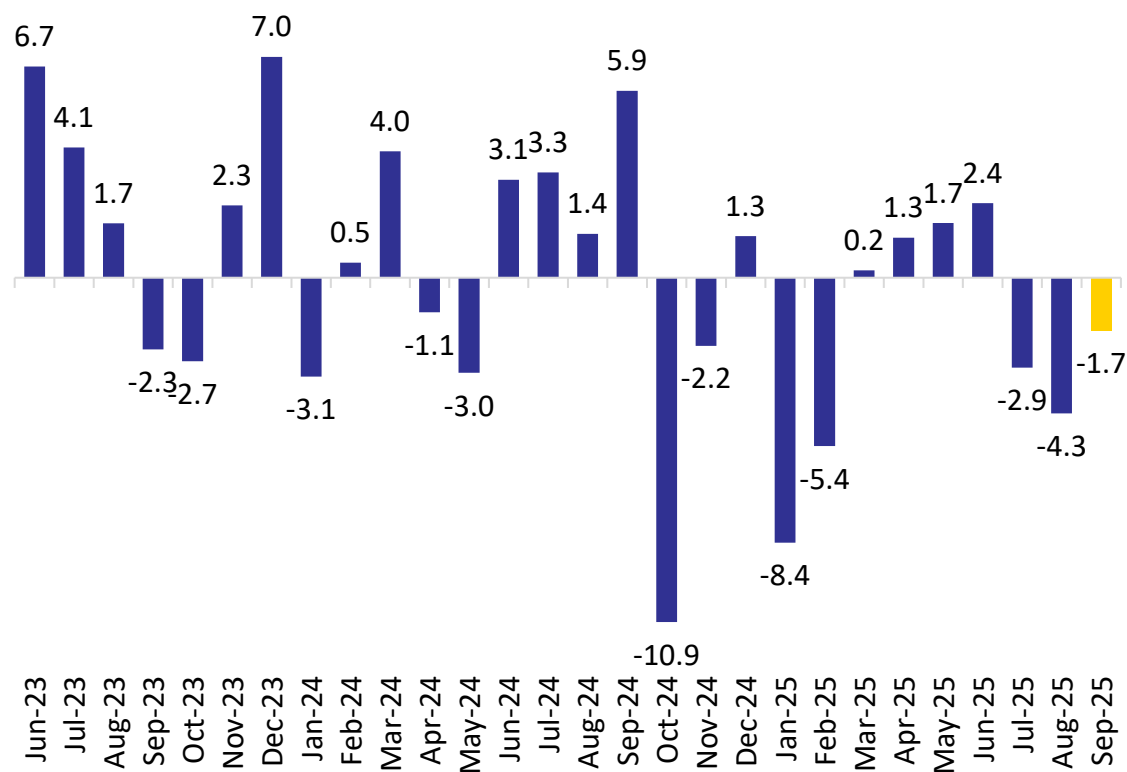
Source: ACE Equity, Internal Research

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# FII vs DII Flows

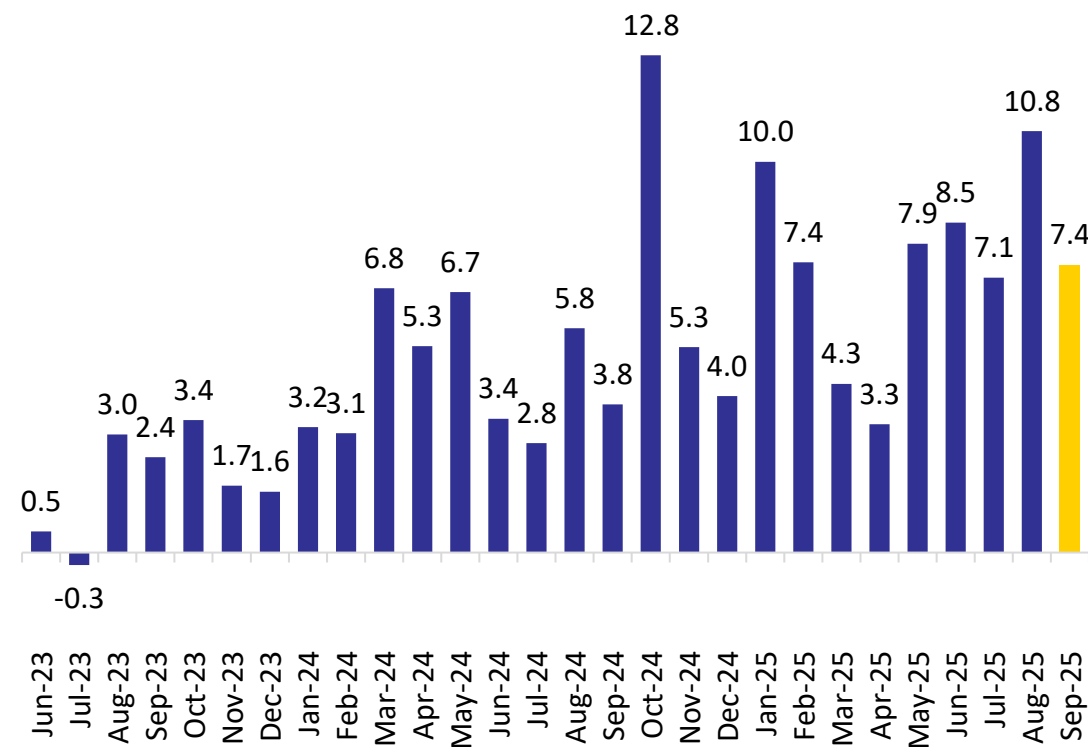
## FII continue to record outflows

FII Equity Flows (US\$ Bn)

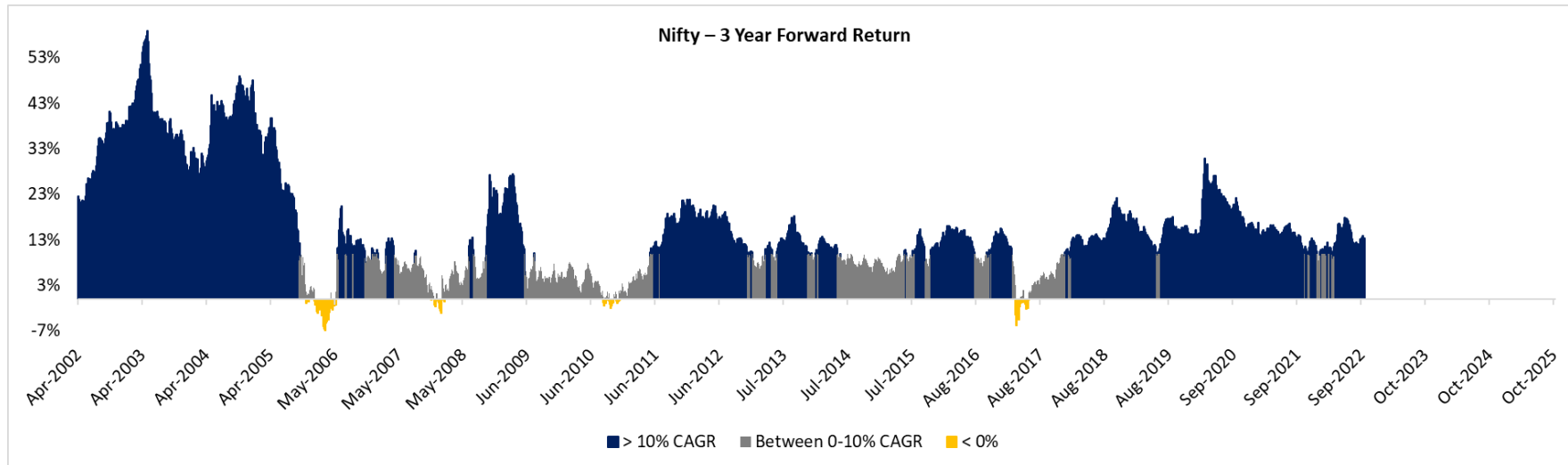
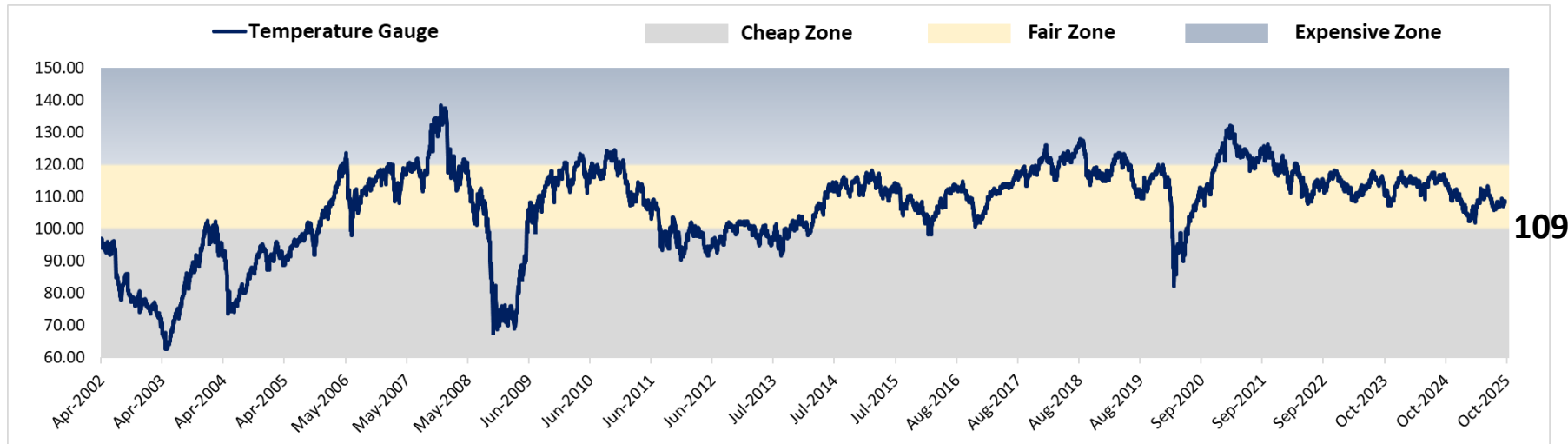


## Contrary to the FIIs, the DIIs continue to show robust inflows

DII Equity Flows (US\$ Bn)



# Temperature Gauge Index



Data as on 9<sup>th</sup> October'25

Source: Capital Line, Bloomberg Internal Research

Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.

Infinite Possibilities. Enduring Relationships.

Temperature Gauge Index is an equally weighted index of EY-BY and MOVI Index

It incorporates PE Ratio, PB Ratio, Div. Yield and G-sec Yield, and hence is a useful valuation metric.

# Temperature Gauge Index – Sensitivity Analysis

Temperature Gauge Index - Sensitivity Analysis					
Nifty50/10 Yr Gsec	6.12%	6.32%	6.52%	6.72%	6.92%
23850	105	106	107	108	109
24100	105	106	107	108	109
24350	106	107	108	109	110
24600	106	107	108	109	110
24850	106	107	108	109	110
25100	107	108	<b>109</b>	110	111
25350	107	108	109	110	111
25600	107	108	109	110	111
25850	108	109	110	111	112
26100	108	109	110	111	112
26350	108	109	110	111	112
26600	109	110	111	112	113
26850	109	110	111	112	113

Pink cell Indicates Current Level of Nifty 50 and 10 yr G-sec levels. Data as on 9<sup>th</sup> October'25

Source: Capital Line, Bloomberg Internal Research

Disclaimer: The above data is for informational purpose. The analysis may or may not be sustained in future.

# 3 Yr Forward Returns Of Nifty At Different Levels Of Temperature Gauge Index

Nifty 50				36M Return CAGR			Time Positive	% Times	
Index in Range		Count in Range	% of count	Min	Max	Average	% Times Positive	6% to 10%	>10%
65	70	60	1%	24%	57%	43%	100.0%	0%	100%
70	75	202	2%	15%	51%	32%	100.0%	0%	100%
75	80	285	3%	14%	45%	37%	100.0%	0%	100%
80	85	168	2%	15%	43%	34%	100.0%	0%	100%
85	90	207	2%	12%	49%	33%	100.0%	0%	100%
90	95	539	6%	2%	47%	27%	100.0%	2%	97%
95	100	832	10%	1%	44%	18%	100.0%	8%	91%
100	105	761	9%	-2%	30%	13%	92.6%	19%	66%
105	110	1007	12%	-4%	22%	10%	69.1%	12%	47%
110	115	1916	22%	-7%	22%	9%	68.2%	27%	29%
115	120	1617	19%	-4%	21%	9%	80.6%	23%	28%
120	125	804	9%	-2%	18%	10%	93.5%	10%	61%
125	130	135	2%	0%	16%	12%	99.3%	4%	80%
130	135	84	1%	-2%	15%	6%	91.7%	0%	36%
135	140	28	0%	-3%	0%	-1%	10.7%	0%	0%

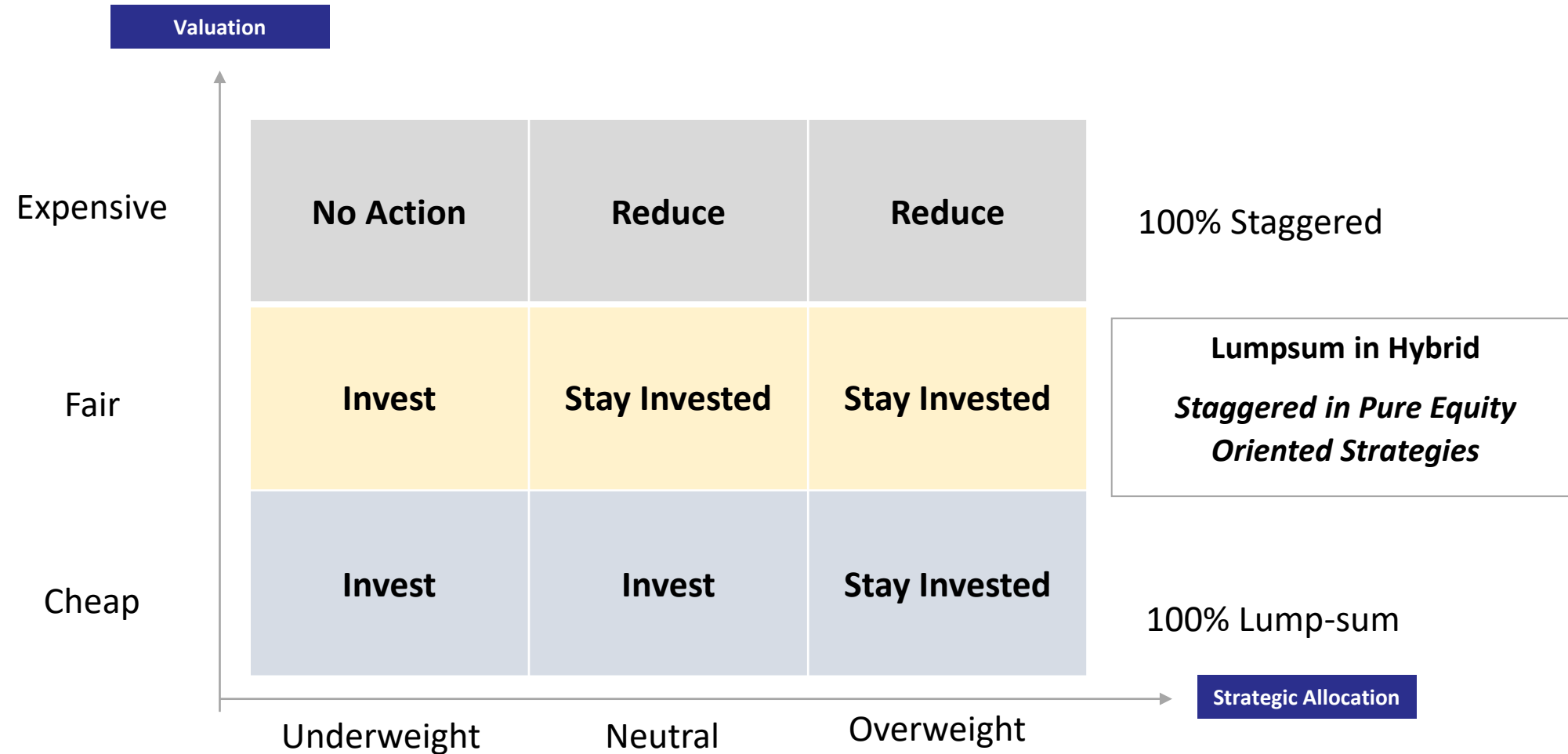
Data as on 9<sup>th</sup> October'25

Source: Capital Line, Bloomberg Internal Research

Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.

# Equity Allocation & Deployment Grid

Below grid is based on Temperature Gauge Index



Data as on 9<sup>th</sup> October'25

Source: Capital Line, Bloomberg Internal Research

Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.



# Equity Portfolio Strategy

- Global: Rate cut delivered by Fed in Sep'25 and may gradually ease path but data-dependent. Geopolitical conflicts may keep pressure on supply chain and US tariff may impact inflation and growth. However, Equities remain resilient and at near highs
- INR weakens against major currencies which is due to its sensitivity to FII flows. However, M-Cap contribution of India to Global is at 2 years low. Also, DIIs remained strong, cushioning indices.
- India's P/E is elevated but cooled from prior peaks even as ROE improved, which justifies the premium. The mid/small caps still rich versus long term average.
- GST reform, rate cut, above average rainfall, rate easing, income Tax rationalization, 8<sup>th</sup> pay commission etc shows that levers for consumption wave looks good in India and we may see India reaping benefits in coming time. Festive demand already looking firm as autos (SUVs, entry cars), consumer durables/electronics, real estate registrations and petroleum products show strong prints.
- **Equity view – Neutral**  
**Portfolio Allocation: 60% allocation to Large Caps and 40% (5% overweight) allocation to Mid and Small Caps**
- Investment Strategy:
  - Lump-sum investments in Hybrid funds at current levels.
  - For Pure equity-oriented strategies, a staggered SIP/STP approach over the next 3 months is prudent given elevated valuations and higher volatility. Any sharp correction should be used for aggressive deployment.

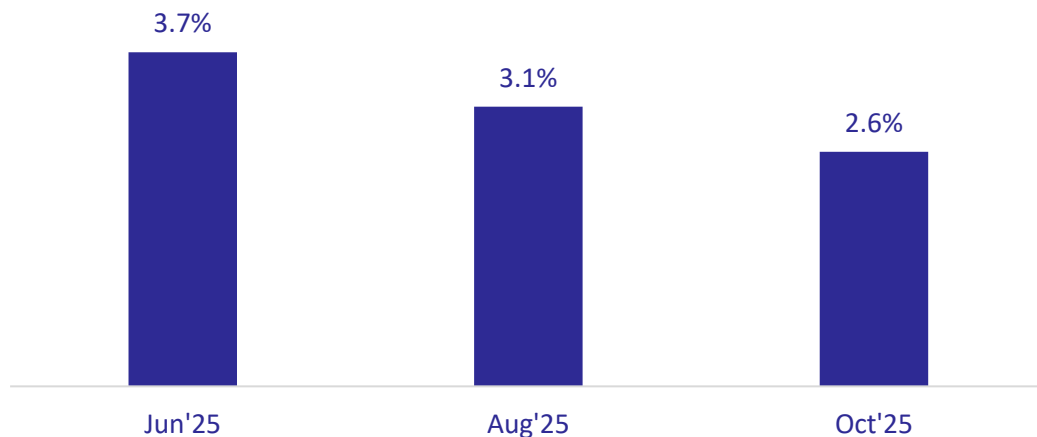
Disclaimer: The Equity Portfolio Strategy is based on our views and the above information is for reference purposes only and should not be construed to be investment advice under SEBI (Investment Advisory) Regulations. This document is not a research report as per the SEBI (Research Analyst) Regulations, 2014..



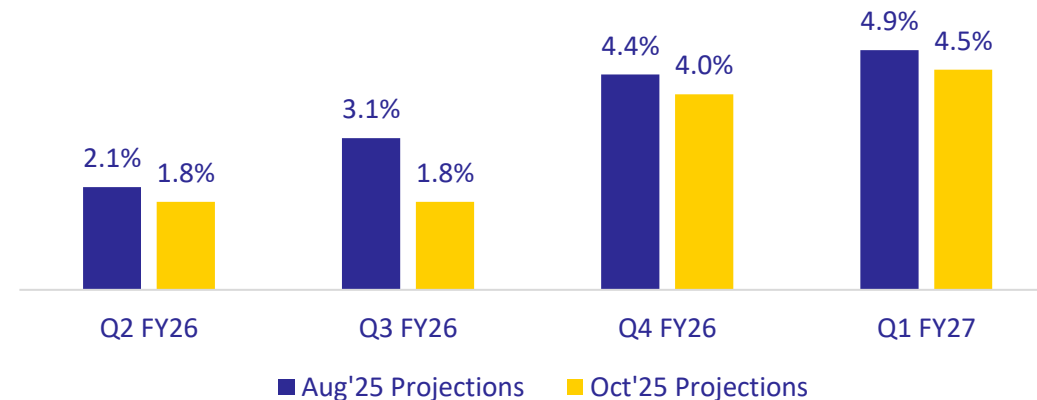
# Fixed Income

# RBI Monetary Policy (Inflation and GDP)

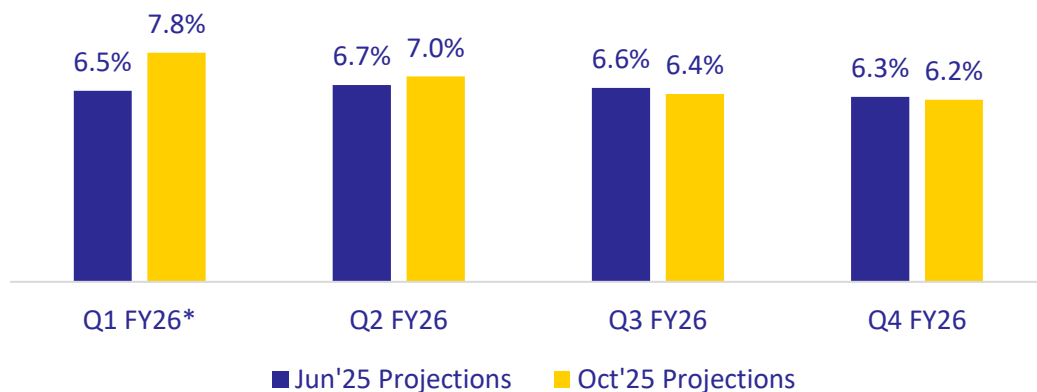
FY26 CPI Projections



Quarterly CPI Projections

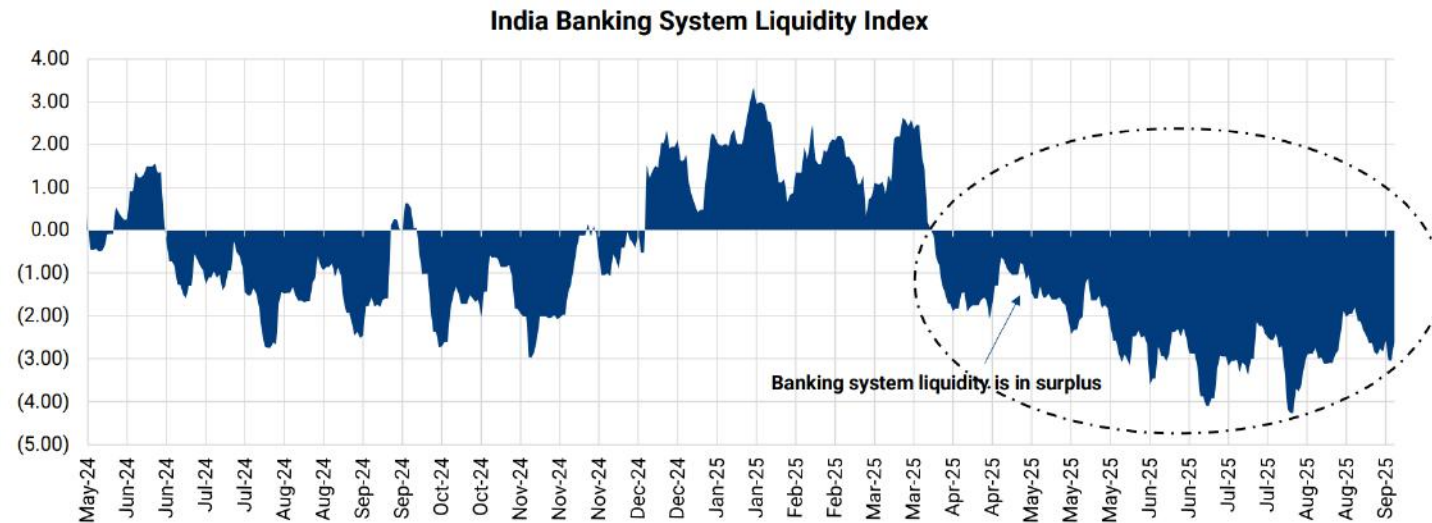
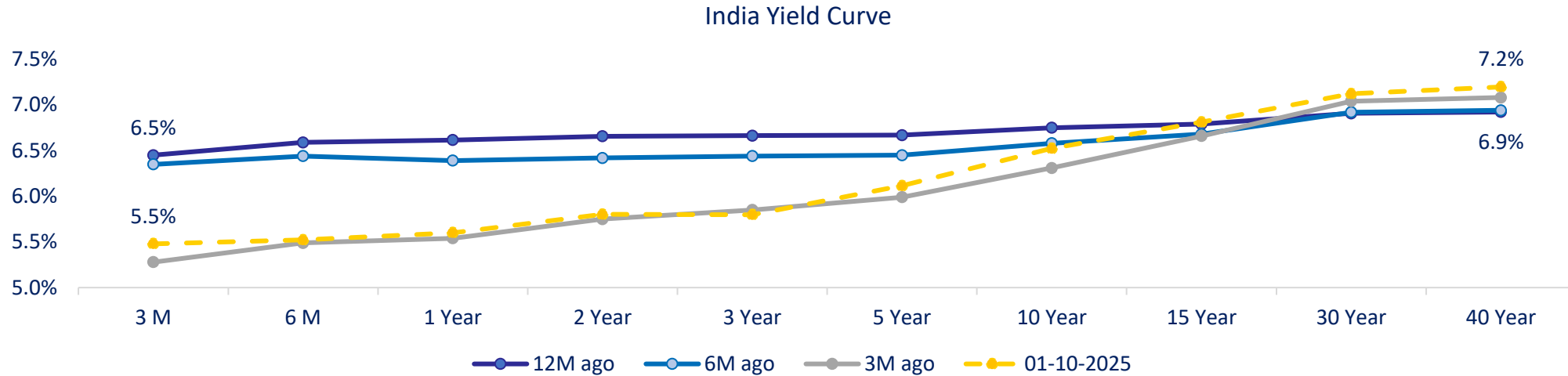


GDP Projections for FY26



- RBI revised India's GDP growth forecast for FY 2025-26 upwards to 6.8% from earlier estimate of 6.5%.
- Reasons include strong consumption, investments, and government spending, with factors like a good monsoon, GST 2.0, better credit flow, and rising capacity utilization

# Steepening of Indian yield curve



# H2 Borrowings FY25 vs FY26

Borrowings	H2FY25	H2FY26
3 Year	5.3%	6.6%
5 Year	10.6%	13.3%
7 Year	7.6%	8.1%
10 Year	24.8%	28.4%
15 Year	13.2%	14.2%
30 Year	12.1%	9.2%
40 Year	15.9%	11.1%
50 Year	10.6%	9.2%
Total Gross Borrowings (INR in lac crore)	6.6	6.8

**10-year got heavier supply** (28.4% of H2), leading to bit of sell-off: 10y yield increased to ~6.57% (one-month high) after the calendar announcement , before settling near 6.55%

**Longer Maturity supply was trimmed** vs. expectations, easing pressure at the very long end; yields at 30–50y stabilized on trimmed allotments.

# Fixed Income View & Portfolio Strategy

- ✓ RBI kept the policy rate @ 5.50% and Neutral Stance unchanged on back of 'benign inflation with resilient growth'. However, there remains a scope of policy being accommodative on back of lower inflation prints, global headwinds or FED cementing more policy easing.
- ✓ On the yields front, the curve has become more steepened wherein the yields at longer end of the curve (10 – 30 yr) has inched up on back of H2 borrowing calendar; currency weakening etc. However, yields are expected to remain range bound in near to medium term.
- ✓ Yields at the shorter end of the curve are relatively benign on back of active and comfortable liquidity management

**Hence current scenario supports the case for maintaining accrual calls across the credit spectrum as the core strategy.**

- **Accrual can be played across the credit spectrum by allocating 45% – 55% of the portfolio to Performing Credit & Private Credit Strategies, Select InvITs/REITs/NCDs for a period of minimum 3-5 years**
- **For less than 3 years holding period, one may allocate in relatively liquid fixed income alternative solutions like Arbitrage Funds (min 3 months holding period), Income Plus Arbitrage Fund of Funds (min 2 yr holding period), Hybrid SIF Funds (min 2 yr holding period), Conservative Equity Savings funds (min 3 years holding period)**

Source: RBI, Internal Research. Disclaimer: The Fixed Income View & Portfolio Strategy is based on our views and the above information is for reference purposes only and should not be construed to be investment advice under SEBI (Investment Advisory) Regulations. This document is not a research report as per the SEBI (Research Analyst) Regulations, 2014.



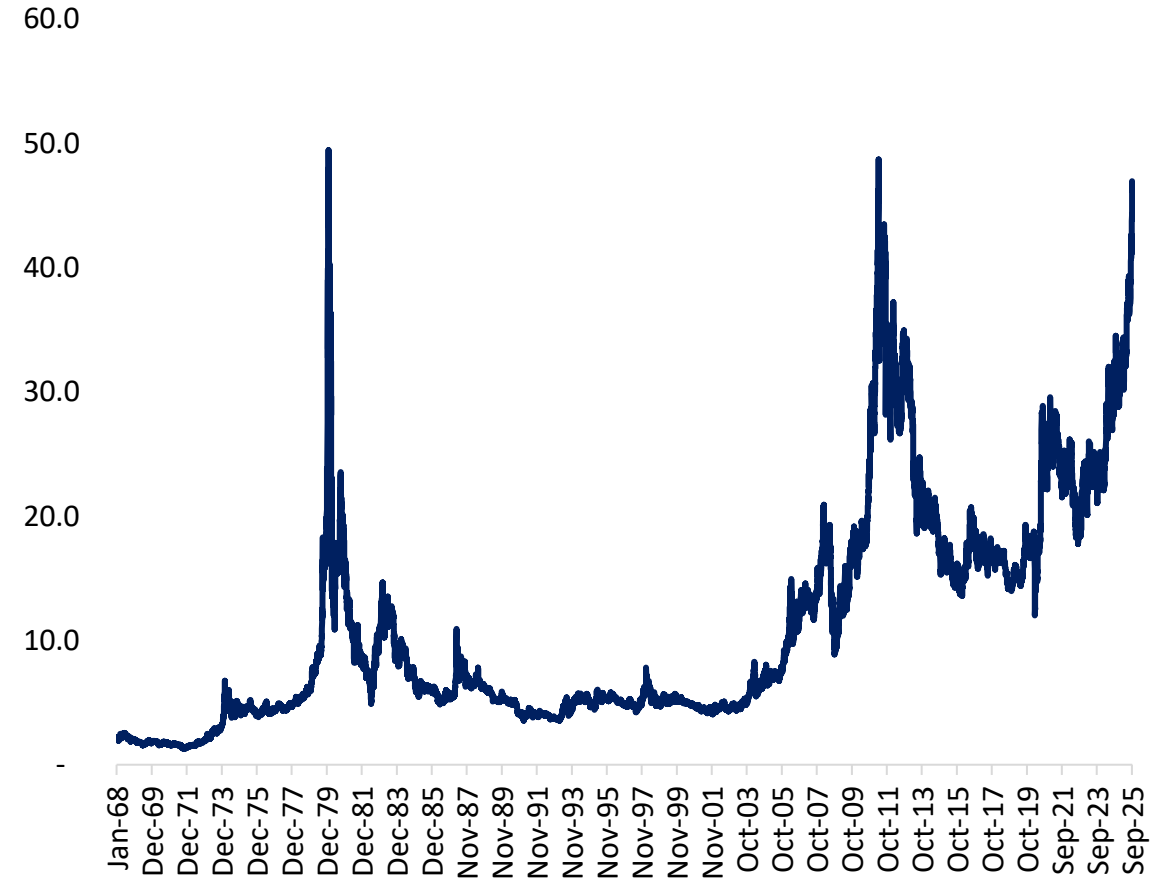
# Gold / Silver

# Gold and Silver Price Movement

Gold (USD)



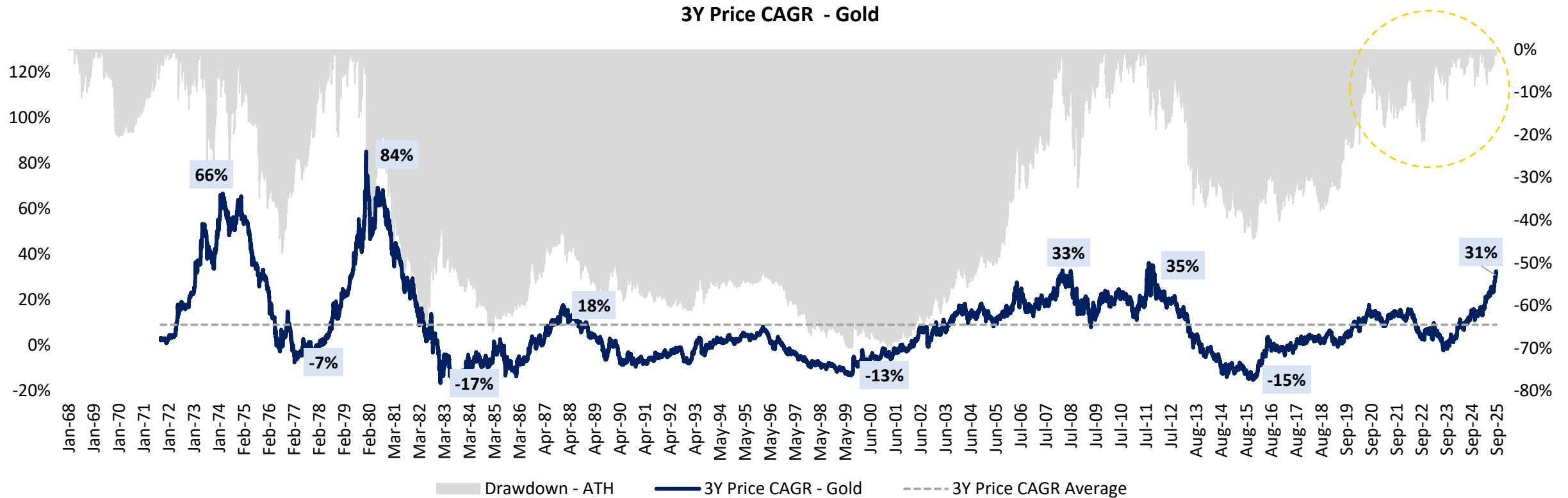
Silver (USD)



Source: Internal Research



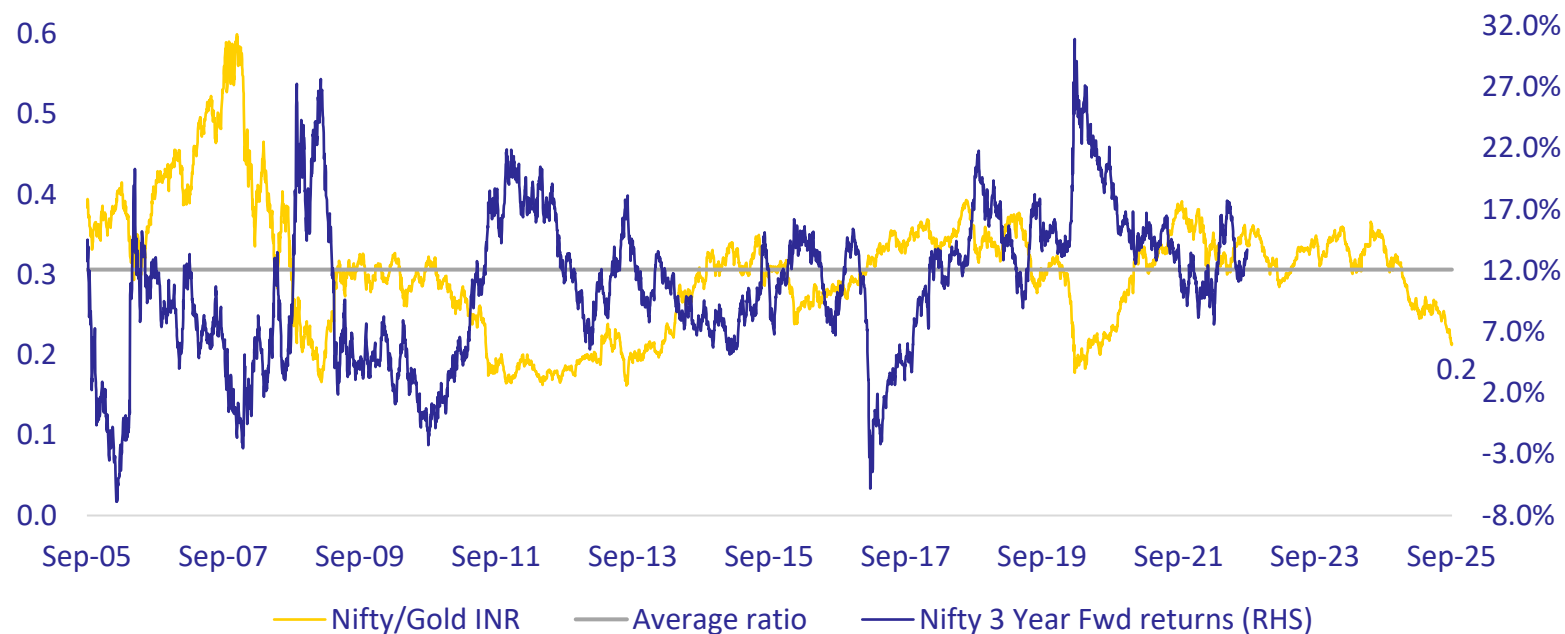
# Possibility of Consolidation in Gold



Strong multi-year price compounding is typically followed by **meaningful drawdowns, even within bull markets**. With **no major drawdown in the last three years**, the **margin of safety now appears thin**, raising the likelihood of a **correction or a consolidation phase** from here.

# Nifty to Gold (INR) Ratio

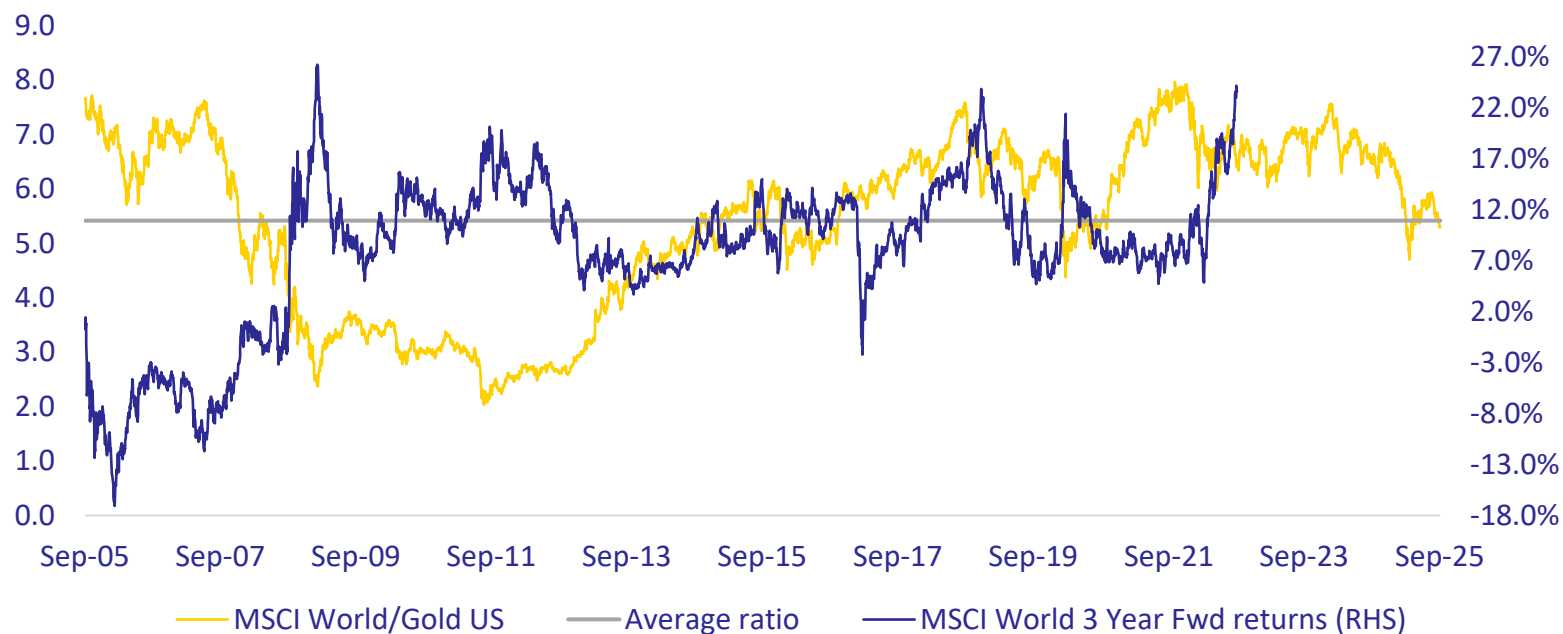
Nifty Gold ratio vs. Nifty 3 year forward returns



	Nifty 3 Year Fwd returns			Gold 3 Year Fwd returns		
Nifty to Gold Ratio	Average	Min	Max	Average	Min	Max
<0.28	14.4%	2.9%	30.9%	4.8%	-7.9%	35.0%
0.28 to 0.36	9.4%	-5.8%	21.8%	14.8%	0.4%	33.6%
0.36 to 0.44	7.8%	-6.9%	17.8%	20.1%	12.5%	35.1%
0.44 to 0.52	6.4%	-0.5%	10.7%	25.7%	18.5%	30.0%
>=0.52	1.7%	-2.5%	6.8%	25.2%	21.0%	27.6%

# MSCI World to Gold (USD) Ratio

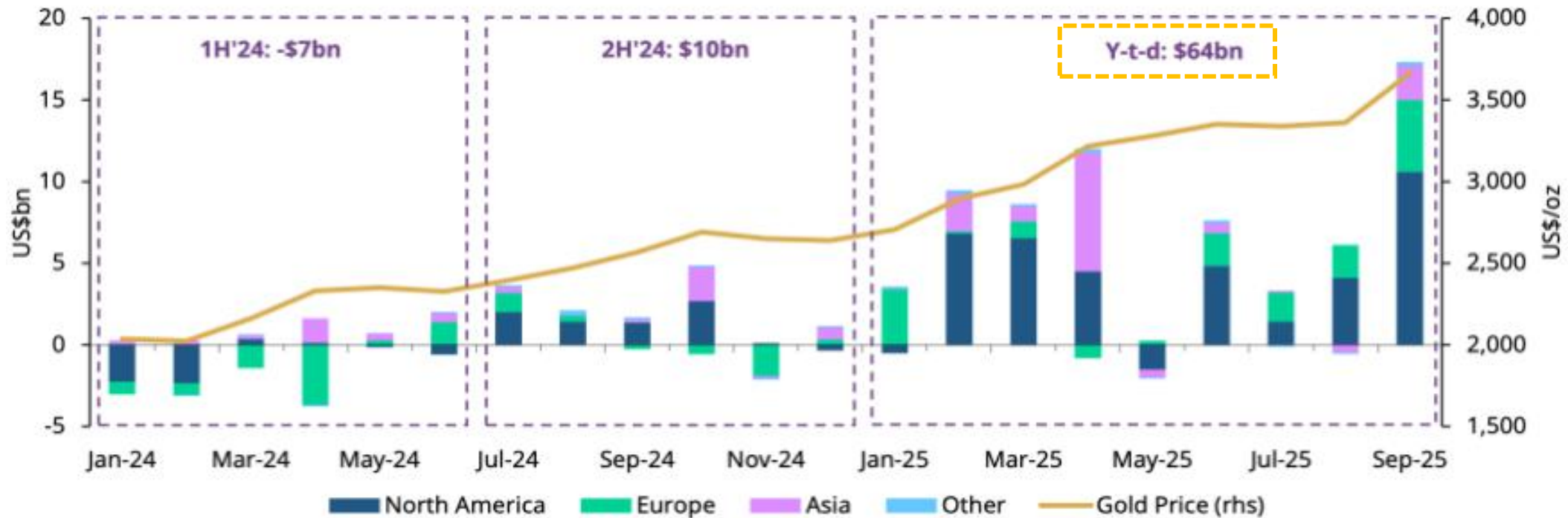
MSCI World to Gold ratio vs. MSCI World 3 year forward returns



	MSCI World 3 Year Fwd returns			Gold 3 Year Fwd returns		
MSCI World to Gold Ratio	Average	Min	Max	Average	Min	Max
<3.2	13.5%	4.1%	26.2%	-4.3%	-15.3%	28.1%
3.2 to 4.4	8.8%	0.2%	21.4%	11.2%	-8.6%	36.0%
4.4 to 5.6	7.8%	-3.2%	19.9%	4.9%	-4.2%	35.4%
5.6 to 6.8	7.5%	-13.7%	24.1%	11.0%	0.7%	32.2%
>=6.8	2.5%	-17.1%	21.3%	16.6%	3.9%	30.4%

# Gold ETFs on a buying spree....

Regional gold ETF flows and the gold price



Global physically backed gold ETFs recorded their largest monthly inflow in September, resulting in the strongest quarter on record of US\$26bn

As of 30 September 2025. Gold price based on the monthly average LBMA gold price PM in USD.

Source: Bloomberg, Company Filings, ICE Benchmark Administration, World Gold Council

Infinite Possibilities. Enduring Relationships. Source: MO internal research

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# Gold/Silver Ratio



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