



## Indian Equities Rose on GST Boost and Trade Deal Prospects

- *Indian equities posted robust gains buoyed by GST rate cuts, cooling US-China tensions, and expectations of a trade deal with the US over the near term.*
- *Gold and Silver ended in the green in October, but gains were capped by easing US-China tensions and profit booking following the sharp rally in the YTD period.*
- *US government shutdown continued for a record 36th straight day. The Fed cut rates by 25 bps and sounded caution on further rate cuts owing to lack of official data amid the US government shutdown.*
- *The IMF revised its estimate for global growth upwards by 20 bps to 3.2% YoY for CY2025, citing positive impact from trade deals with the US and front-loaded imports. India's GDP growth estimate was revised upwards by 20 bps to 6.6% for FY2026.*



## India Macro Update - Tracking Key Macro Factors



### Brent Crude

Crude oil prices ended ~2.9% lower in October as concerns over demand and rising OPEC+ supply outweighed risks to supply from geopolitical tensions.



### Currency

The INR ended on a flattish note in October vs the USD (up ~0.02% vs DXY), while the dollar index (DXY) rebounded by 2.1%. The Rupee outperformed most major economies in October supported by Fx intervention by the RBI.



### Bank Credit & Deposit Growth

While still tepid compared to the high teen growth seen few years ago, credit growth has picked pace in last few weeks printing at ~11% YoY, outpacing deposit growth at 9.5% (as of 17th Oct'25).



### Manufacturing PMI

The HSBC India Mfg. PMI printed at 59.2 in Oct'25 vs 57.7 in Sep. aided by faster growth in new orders, while external demand remained tepid.



### Services PMI

The HSBC India Services PMI fell to 58.9 (60.9 in Sep) amid some softening led by disruptions caused by excess rains.



### GST

Gross GST collections in Oct'25 (for activity in September) rose at a subdued pace of 4.6% YoY to INR1.96tn, dampened by partial impact of GST cut (effective 22<sup>nd</sup> September 2025) and deferred purchases by consumers.



### Other Lead Indicators

Recent lead indicators show a pick-up in economic momentum as seen from auto sales, ports cargo traffic, e-way bills and fuel consumption.

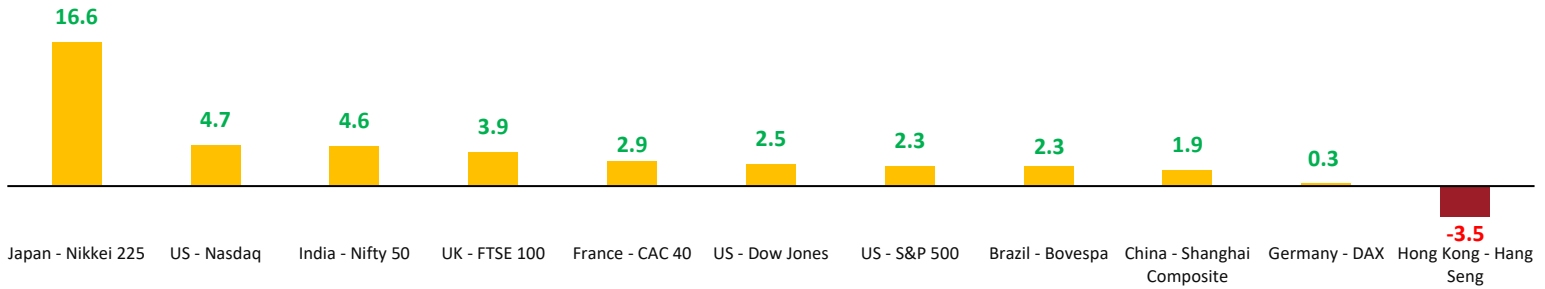
## Outlook – (Source - IDFC FIRST Bank Economics Research, As On 31<sup>st</sup> October 2025)

- FY26 CPI inflation is expected at 2.4% incorporating partial pass-through of GST cuts, while that for FY27 is estimated at 3.9% (v/s RBI's estimate of 4.5%).
- Further rate cuts hereon may open-up once downside risks to growth materialize, either due to persisting tariff pressures and/or consumption not responding to the recent GST cuts.
- USDINR is expected to be range bound assuming India reaches trade deal with US by December; else pace of depreciation would be higher.

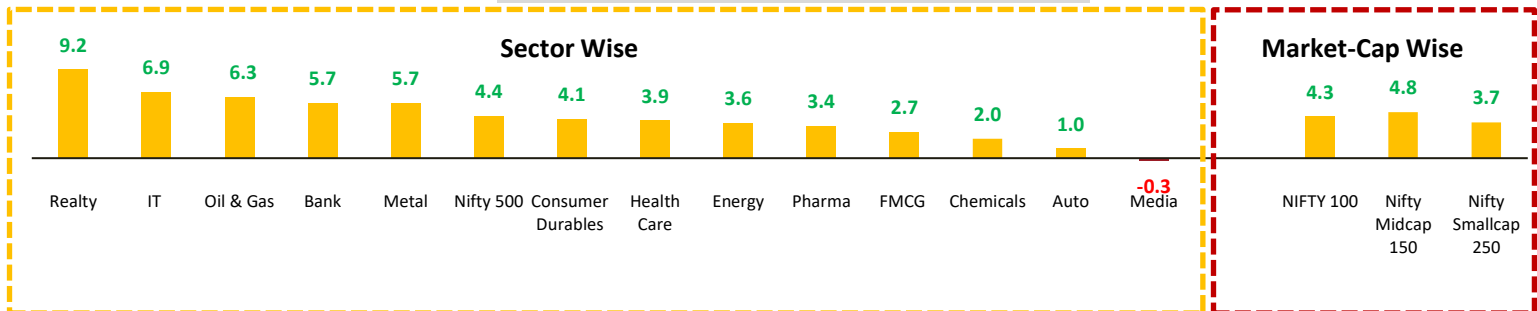


# Equity Market Update

## Global Indices Performance (%) - October 2025



## Domestic Indices Performance (%) - October 2025



Performance shown above is based on total returns for respective sectoral indices of the NSE. Data as on 31<sup>st</sup> October 2025, Source: ACE MF



- **Frontline Indices** – Indian equities ended October on a firm note, aided by positive sentiment in the backdrop of the recently announced GST cuts, cooling US-China tensions, and expectations of a trade deal with the US over the near term. FPIs turning net buyers and a decline in crude oil prices too lent support.
- **Realty** – Realty stocks outperformed in October on likely value-buying following a sharp correction in recent months. Expectations of a possible rate cut by the RBI amid inflation undershooting expectations too buoyed sentiment.
- **IT** – IT sector too witnessed a bounce-back on expectations of rate cuts by the US Fed, optimistic commentary and cooling geopolitical tensions.



- **Auto** – The sector underperformed weighed down by profit-booking by participants, having delivered stellar returns in the CYTD period.



## Outlook –

We try to understand equity markets based on following three important pillars:

### Valuations

Neutral

- Nifty's 12-month forward PE is at 20.69x vs current PE of 22.51x. Nifty Midcap 150's 12-month forward PE is at 28.60x vs current PE of 34.15x, Nifty Smallcap 250's 12-month forward PE is at 26.11x vs current PE of 29.44x (As on 4th November 2025).

- **From a Valuation perspective – Large caps look most attractive, followed by small caps & then midcaps**

### Earnings

Neutral

- Despite the near-term challenges and uncertain macro environment, the medium-to-long term growth outlook for India seems intact. Materials, Industrials and Communication Services are expected to clock superior earnings performance over FY26 and FY27.

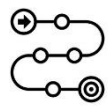
- **Nifty 50 earnings growth is expected ~8-9% in FY26, and ~14-15% over FY26-28.**

### Volatility

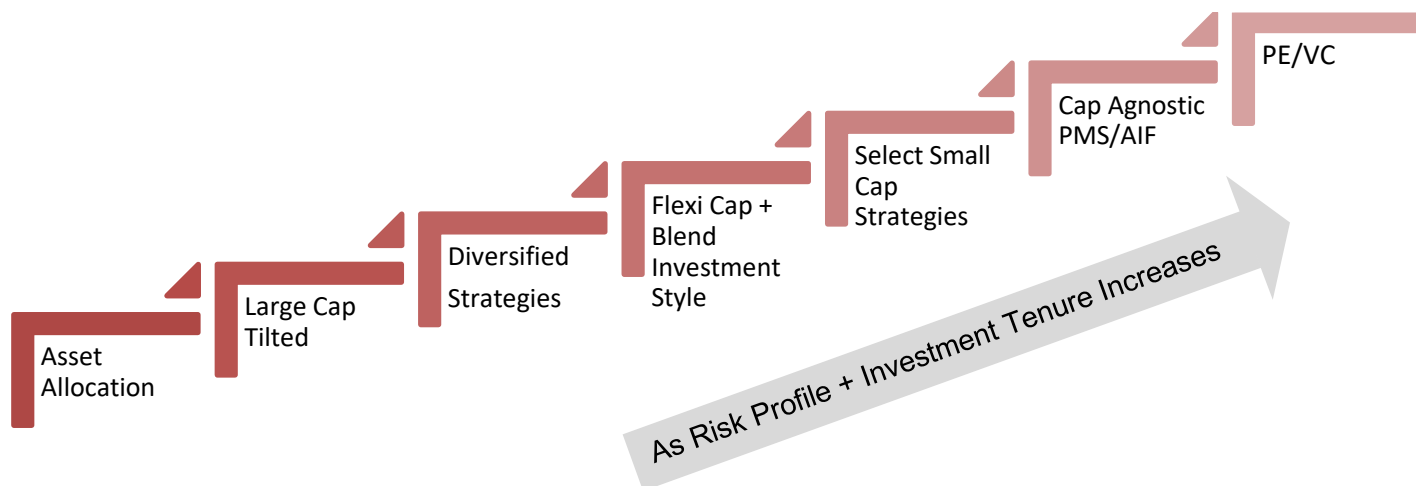
Neutral

- Nifty VIX ended at 12.15 (as on 31st October 2025) vs 11.07 (as on 30th September 2025).

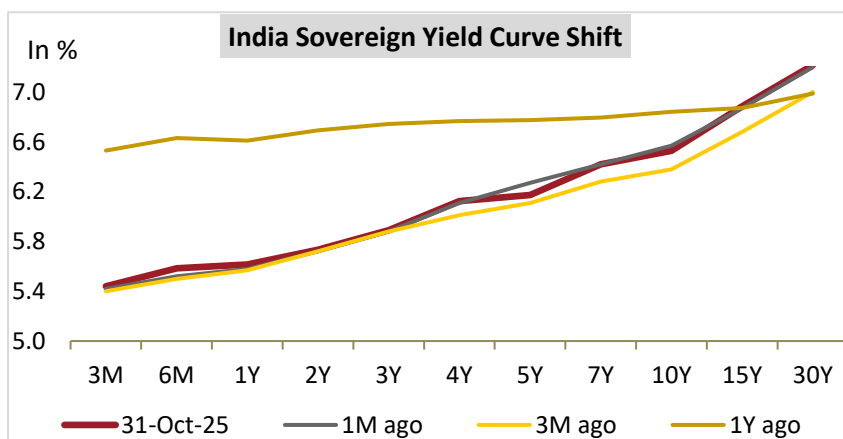
- **Domestic and global macros, geopolitics, crude oil prices and global yields to drive the volatility index going ahead.**



# Equity Investment Strategy



## Debt Market Update



\*Data as on 31<sup>st</sup> October 2025, Source- Investing.com

Global Bond yields (%)	31-Oct-25	1M ago	1Y Ago
US 10 – Year	4.08	4.15	4.28
UK 10 – Year	4.41	4.70	4.45
Germany 10 – Year	2.63	2.71	2.39
Japan 10 - Year	1.66	1.64	0.94
India 10 – Year	6.53	6.58	6.84

- **Indian 10Y benchmark yield** softened by ~5bps MoM in October. During the month, bond prices faced pressure on concerns over tepid demand at weekly debt auctions & declining expectations of further rate cuts on optimism over a trade deal with the US.
- **U.S. Treasury yields:** US 10Y yield fell in early October following the release of subdued employment data bolstering expectations of a rate cut by the US Fed, and on concerns over a flare-up of tensions with China. The US Fed cut policy rates by 25bps but seemed cautious on further cuts amid divided views among policymakers.
- **Euro zone:** German 10Y yield in Germany fell ~8bps MoM to 2.63% in October. During the month, yields declined nearing 4-month lows on concerns over US government shutdown and US-China trade tensions. The ECB left rates unchanged at 2.15% (main refinancing rate) for the third straight meeting and indicated confidence on the resilience of its economy. UK 10Y yield fell by a sharp 29bps MoM as comfortable inflation buoyed expectations of rate cuts.
- **Japanese 10Y yields** ended on a broadly flattish note on declining concerns over supply at the longer end. The BoJ kept short-term policy rate steady at 0.5% with a 7-2 vote, with two members voting for rate hikes citing risks to inflation. Governor Ueda hinted at rate hikes in Dec'25 / Jan'26 depending on wage momentum and Yen movement.



# Outlook –

We try to understand debt markets based on following three important pillars:

Interest Rate

Neutral

- We believe space for further rate cuts is limited. Going ahead, rate cuts shall materialise only if downside risks to growth emerge.
- 10-Yr G-sec yield is expected to range between to 6.35% to 6.60%. Upward pressure on yields reflects higher supply in H2FY26 (G-sec plus SDLs) and tepid demand. We expect support in the form of OMO purchases in Q4FY26.

Liquidity

Neutral

- Banking system liquidity has been tight since second half of October owing to GST outflows, RBI intervention in forex market and currency leakage amid the ongoing festive season. However, core liquidity was in comfortable territory tracking at a surplus of ~INR3.2tn (as of 24th October 2025) surplus v/s recent peak of INR6tn (as of 23rd May 2025).
- RBI may need to infuse durable liquidity to ensure domestic liquidity conditions don't remain tight.

Credit Risk

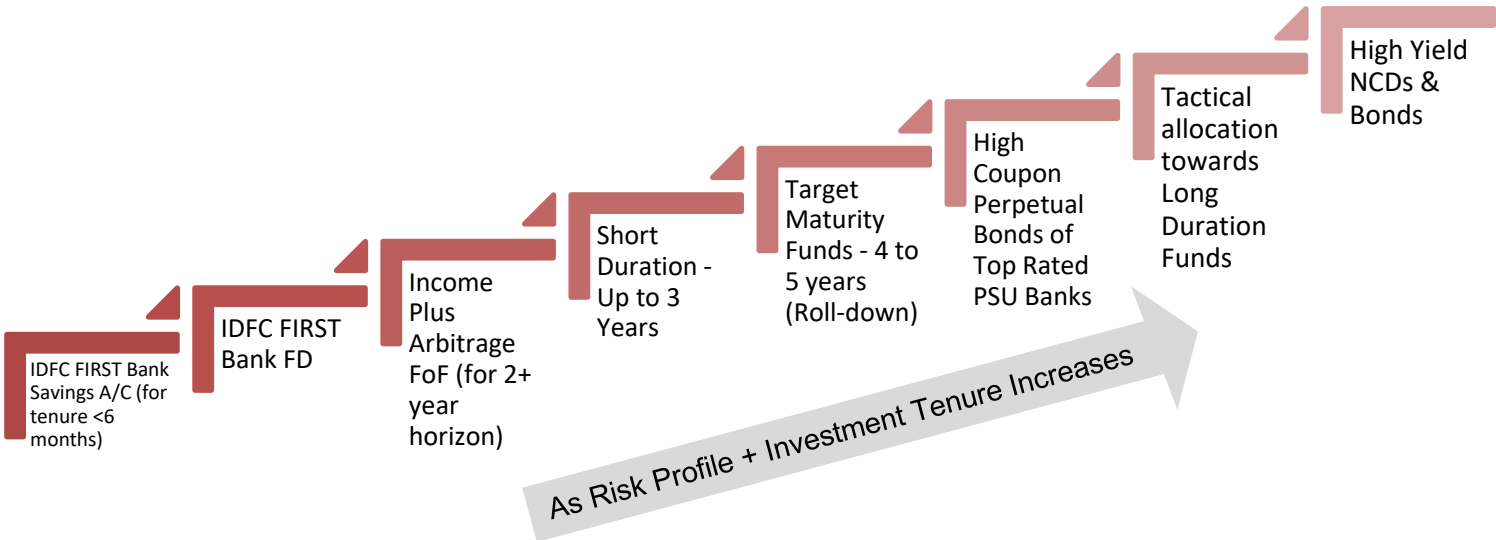
Neutral

- Spreads on offer versus additional risk taken are modest – risk-reward doesn't favour taking credit risk via low rated category as a whole. However, selective buying can be rewarding.
- Markets are illiquid in low rated segment, look at company specific opportunity.

\*IDFC FIRST Economics Research estimate as on 31<sup>st</sup> October 2025



## Debt Investment Strategy



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