Wealth Management Investment Strategy

Sep 2026 – *Executive Summary*

IDFC FIRST Bank

ALWAYS YOU FIRST

GDP Growth Surprises at 7.8% YoY, Nifty Earnings Growth At 10Q High

KEY TAKEAWAY

- ***US equities delivered robust earnings growth (~50% YoY) in Q2CY26 led by AI related capex, with ~86% of the S&P 500 companies beating estimates. Earnings for the Magnificent 7 more than doubled.***
- ***Gold & silver rebounded in August as US Treasury bond buybacks announcement raised expectations of higher liquidity & weakening of the dollar.***
- ***Q1FY27 GDP growth stood at 7.8% YoY, above expectations of 7.3% (consensus) and 7.4% (IDFC First Bank). Growth was led by investments (11.9%) and net exports.***
- ***CPI inflation printed at 4.4% YoY in July along expected lines; food & beverages inflation stood at 5.2%.***
- ***Capital account flows were strong at USD136bn (till 31st August), of which FCNR(B) accounted for ~93%. BoP surplus in FY27 is now estimated at over USD100bn.***

India Macro Update - *Tracking Key Macro Factors*

Brent Crude

Oil declined 1.9% MoM as concerns over weaker global demand amid expectations of rate hikes by central banks and higher expected OPEC+ supply, outweighed persistent US-Iran tensions.

Currency

The INR inched marginally higher MoM vs USD in August (DXY fell 0.5%) amid the sharp FCNR(B) inflows, with gains capped due to likely intervention by the RBI, the pace for which has increased since July.

Commodities

Gold & silver rose as US Treasury bond buybacks announcement raised expectations of higher liquidity & amid weakness in the dollar.

Manufacturing & Services PMI

PMIs remained in the expansion zone despite headwinds amid the ongoing US-Iran tensions. The Services PMI improved to 54.5 in August, while the Manufacturing PMI eased somewhat to 52.8.

GST Collections

Gross GST collections rose 14.8% YoY to ₹1.99 lakh crore in August, driven by strong domestic activity and import tax revenues.

Rainfall

Cumulative rainfall deficit stood at 13% of long period average (LPA), with large deficits in South Peninsula (-22%) and East & North-East (-27%).

Auto Sales

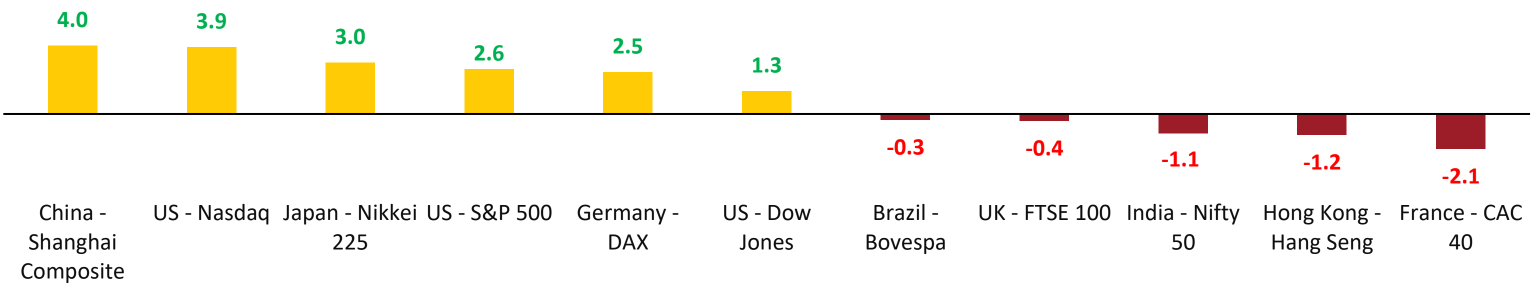
Auto sales continue to be robust signalling firm demand, both from rural (2W sales) and urban (PV sales).

Outlook *(Source - IDFC FIRST Bank Economics Research, As On 31st Aug 2026)*

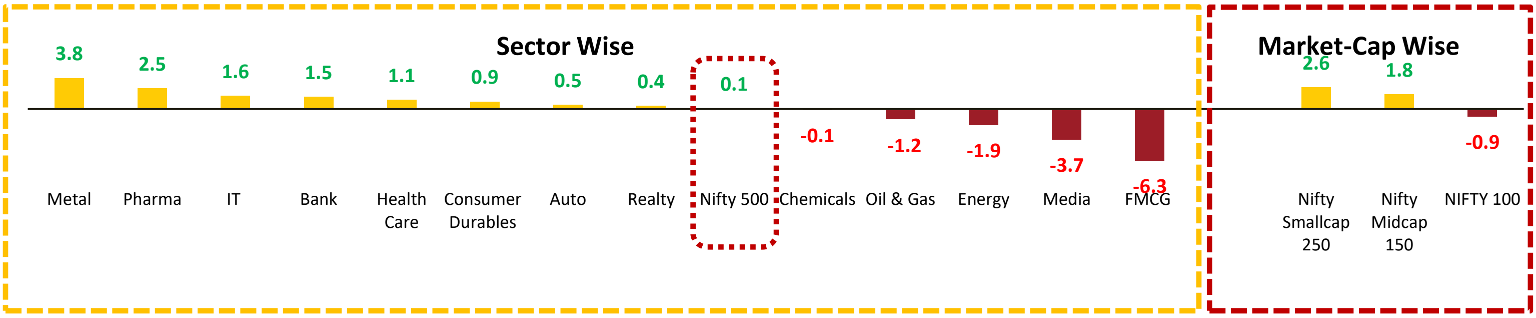
- **We revised our FY27 real GDP growth estimate upwards to 7.5% from 6.8%, reflecting the strong Q1 print.** The FY27 nominal GDP growth estimate is revised down to 11.5% from 13%, reflecting a more subdued rise in the GDP deflator.
- **FY27 headline CPI estimate is retained at 4.9%.**
- **We maintain expectation of RBI remaining on pause in FY27.**
- **We expect INR depreciation to remain moderate, with USD/INR projected at ~96.5 by Mar-27,** supported by RBI/government measures, FCNR(B)-led inflows, and an improving BoP position.

Equity Market Update

Global Indices Performance (%) - Aug 2026



Domestic Indices Performance (%) - Aug 2026



Performance shown above is based on total returns for respective sectoral indices of the NSE in INR terms. Data as on 31st Aug 26, Source: ACE MF

- **Frontline Indices** – Broader markets (Nifty 500) managed to end August marginally higher MoM, aided by superior performance of broader markets. During the month, robust earnings data supported sentiment, while simmering US-Iran tensions and hawkish comments by US Fed Chair capped upside. RBI announcing a status quo on rates and revising growth higher (and inflation lower) lent support earlier in the month.
- **Metals** – Metal stocks outperformed in August led by a recovery in steel price, while global supply constraints supported prices for other metals (copper, aluminium)
- **Pharma** – Pharma sector did well amid improving earnings visibility and given its defensive demand amid persistent uncertainty.

- **FMCG** – FMCG sector underperformed on concerns over slowing demand amid a tepid monsoon, margin pressures and competition from smaller brands.

Equity Outlook –

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

Valuations

Positive

- Nifty's 12-month forward PE* is at 18.1x vs current PE of 21.7x. (As on 01st September 2026).
- **From a Valuation perspective – Large caps look most attractive**, followed by small caps & then midcaps.

Earnings

Neutral

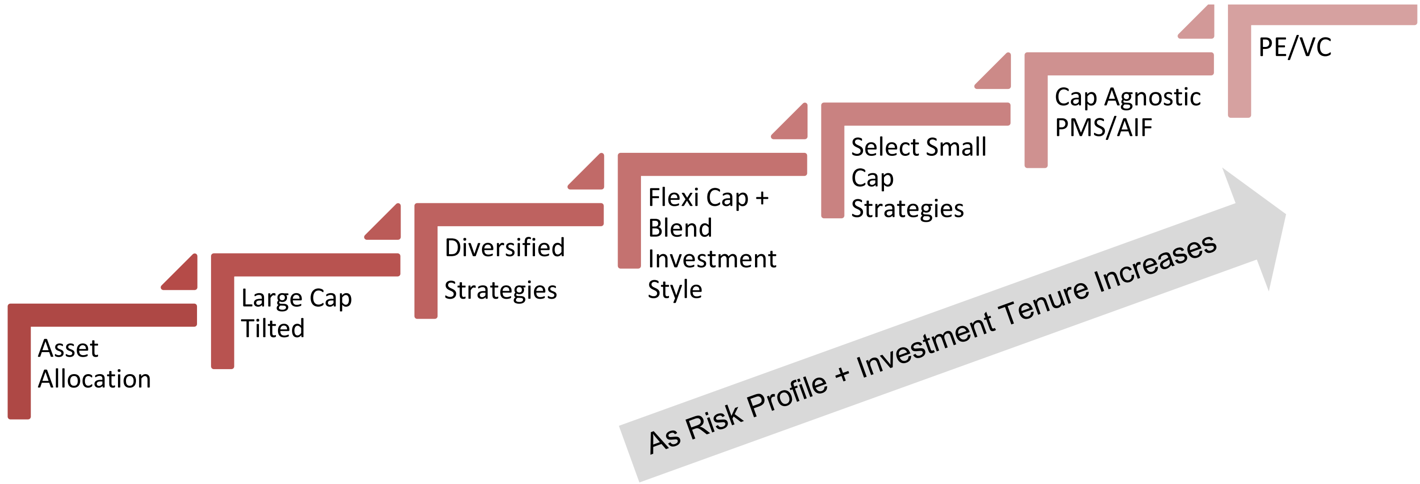
- Despite the near-term challenges and uncertain macro environment, the medium-to-long term growth outlook for India seems intact, which should support earnings growth.
- **Nifty 50 earnings growth^ estimated at ~12-14% CAGR in FY27 amid better than anticipated pace of domestic growth.**

Volatility

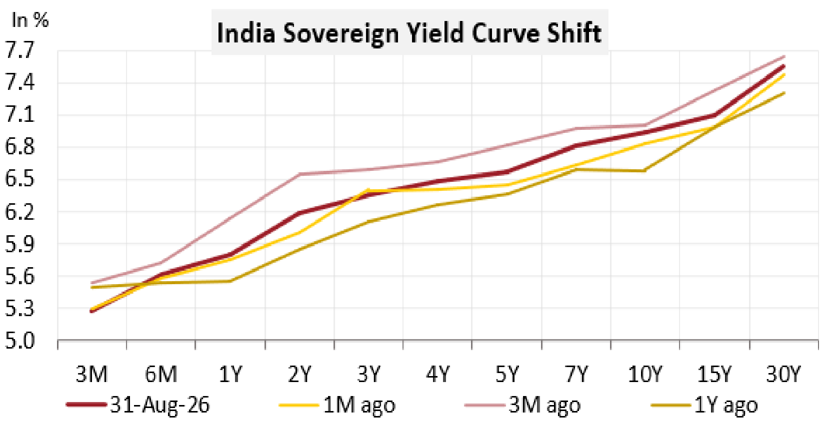
Neutral

- Nifty VIX ended August at 11.19 vs 11.76 in July.
- **Domestic and global macros, geopolitics, crude oil prices and global yields to drive the volatility index going ahead.**

Equity Investment Strategy



Debt Market Update



Global Bond yields (%)	31-Aug-26	1M ago	1Y Ago
US 10 – Year	4.76	4.75	4.23
UK 10 – Year	5.08	5.06	4.72
Germany 10 – Year	3.32	3.20	2.72
Japan 10 - Year	2.94	2.80	1.60
India 10 – Year	6.95	6.83	6.57

Data as on 31st Aug 2026, Source- Investing.com

- **Indian 10Y yield** inched up across the curve on lingering US-Iran tensions, hawkish tone of RBI MPC and tracking the rise in US Treasury yields amid growing possibility of rate hike by the USD Fed. RBI advancing the FCNR(B) window by a month also weighed on bonds.

- **U.S. 10Y yield** ended August on a flattish note MoM. During the month, yields had declined amid declining crude oil prices, but later retracted higher on flaring US-Iran tensions and expectations of rate hike by the Fed.

- **Euro zone:** Bond yields in UK and Germany too inched up MoM tracking the rise in US Treasury yields. Concerns over upside risks to inflation have led central banks to express readiness to hike rates.

- **Japanese 10Y yield** rose ~14bps MoM in August on expectations of further tightening by the BoJ given upside risks to inflation emanating from higher energy prices, fiscal concerns and weakness in the Yen. The BoJ is expected to raise rates in its September fixing by 25bps.

Debt Outlook –

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

Interest Rate

Neutral

- **Headline CPI inflation is not expected to breach 6% threshold** of the RBI in FY27. We believe **RBI would remain on a pause**, as monetary policy is ill suited to address supply-side issues, while we acknowledge risk of a rate hike following MPC minutes which were hawkish.
- **Higher bond supply (led by states) in H2FY27 and lack of RBI OMO purchases to impart pressure on bond yields. 10-Yr G-sec yield is expected to range between 6.80% to 7.00% in near-term.** Any sharp decline in crude oil prices could move the range lower.

Liquidity

Neutral

- Banking system liquidity is now at a high surplus of INR10.3tn (3rd Sep.) amid the sharp FCNR(B) inflows. **Core liquidity surplus has likely risen to INR14.5tn in the first few days of September, led by FCNR(B) inflows.**
- **By March 2027, core liquidity surplus is expected to reduce to INR9tn with rise in currency leakage and BoP turning closer to neutral in H2FY27. This represents excess liquidity of around INR4tn which needs to be absorbed by the RBI.**

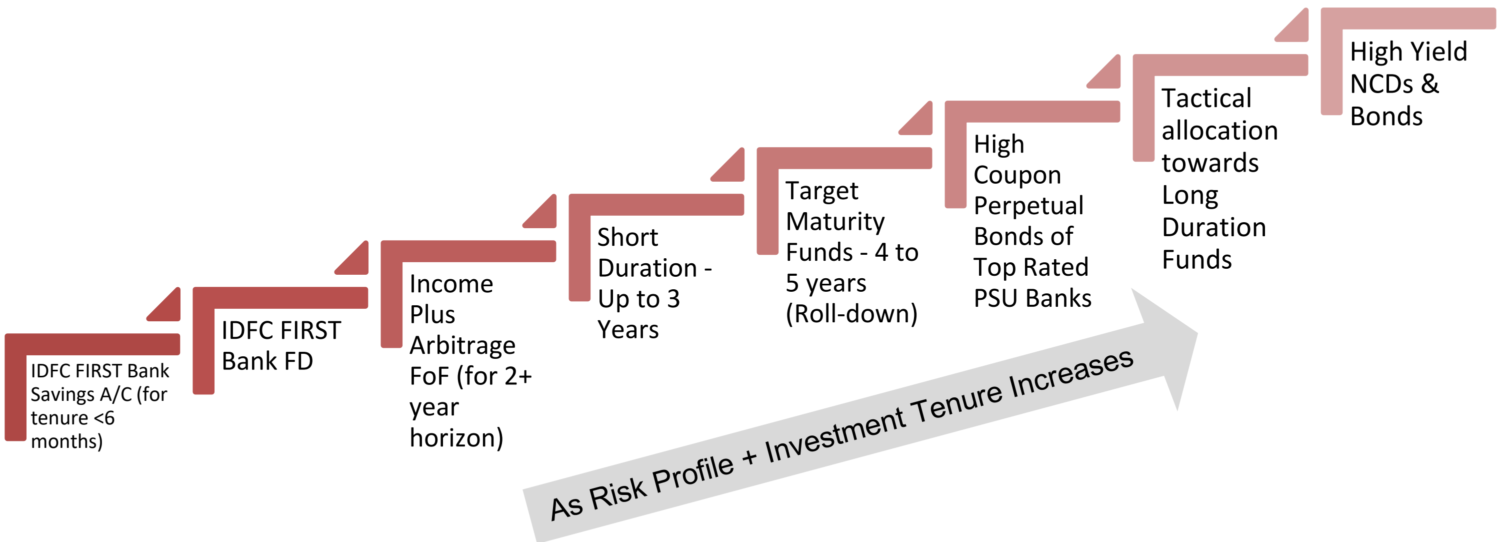
Credit Risk

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.

(Source - IDFC FIRST Bank Economics Research, As On 31st Aug 2026)

Debt Investment Strategy



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