MONTHLY UPDATE
SEPTEMBER 2026



25 YEARS
Protecting India with Pride

HDFC Life
Sar utha ke jiyo!

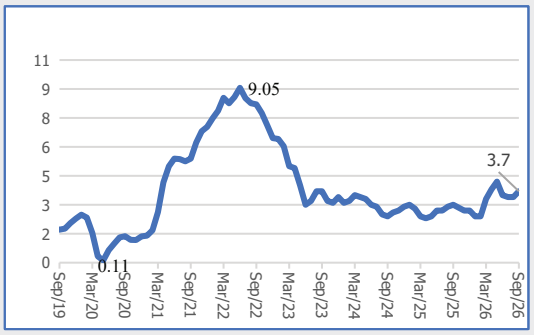
Market Outlook

HDFC Life – Monthly Update (October 2026)

Global Macro Review

US CPI (%)

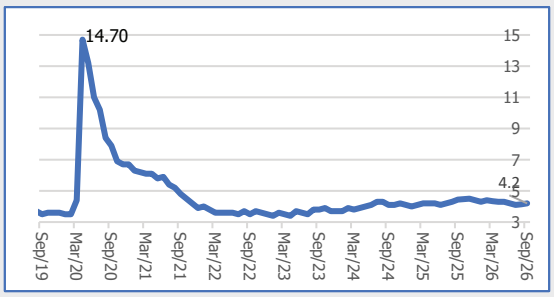
US CPI (%)



- US CPI for Sep came in higher than expected at 3.7% YoY vs 3.4% in Aug. Core CPI came in at 0.33% MoM vs 0.2% expected. The rise was largely due to upside surprise in shelter inflation as primary rents rose 0.25%MoM while owners' equivalent rent rose surprisingly strong at 0.35%. Overall, it seems that inflation is driven by elevated energy prices and sticky services. The war escalations and resultant surge in energy prices continue to remain an upside risk to inflation which would strength the case for FOMC to deliver further hikes in the upcoming policy meetings.

US US Unemployment Rate (%)

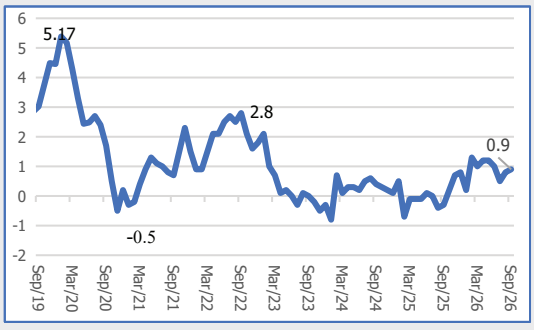
US Unemployment Rate (%)



- The US economy added 29k jobs in Sept, well below consensus of 89k primarily due to a slowdown in hiring in leisure and hospitality, along with education and health services. The unemployment rate rose to 4.2% in September, along with a pickup in participation rate to 61.8% from 61.6%. Overall, despite the moderation in the latest release, labour markets continue to reflect a resilient trend. Given that NFP numbers tend to be highly volatile and subject to significant revisions in both directions it is unlikely to materially change its policy tightening bias, given that inflation control remains its key focus.

China CPI (%)

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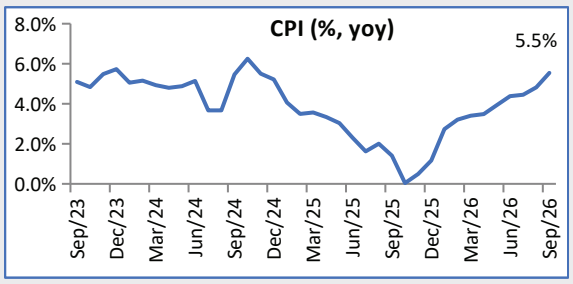


- China's annual inflation climbed to 0.9% in September 2026 from 0.8% in August. Core CPI was steady at 1.0%YoY excluding food and energy, with muted sequential change. However with the high global energy prices and trade tension re-surfacing, the outlook for inflation may be higher over medium term.

India Macro Review

CPI Inflation (%)

CPI I Inflation %

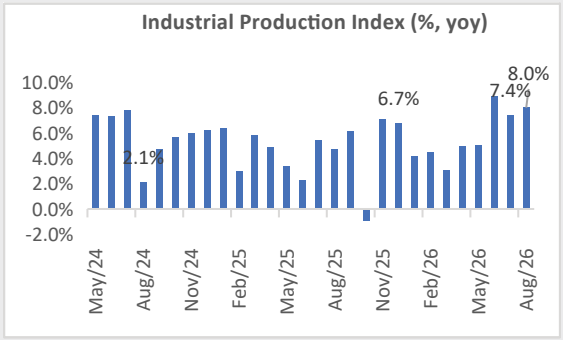


Source: MOSPI

- Inflation (CPI) for Sep'26 rose to 5.5% vs. 4.8% in Aug'26 as Inflation for food and Beverages increased to 7.4% in Sep'26 vs. 5.7% earlier.

Industrial Production Index (IIP)

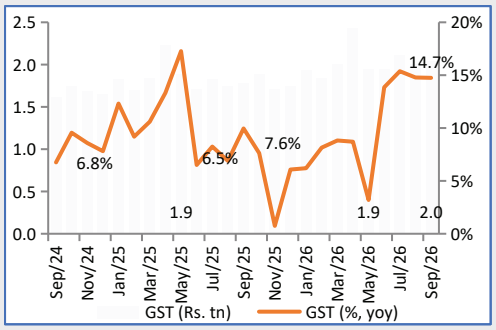
Industrial Production Index (IIP)



- Industrial Production (IIP) growth for Aug'26 improved to 8.0% yoy vs. 7.4% yoy in Jul'26, with Manufacturing output at 9.0% in Aug'26 vs. 8.2% in Jul'26.

GST Collection (Rs. bn)

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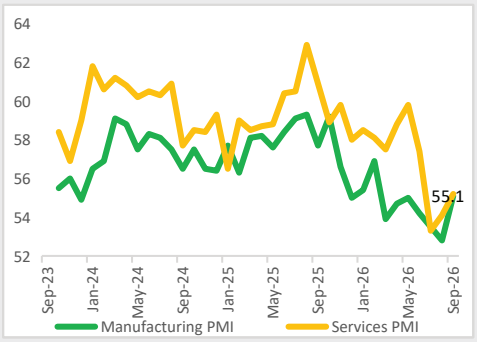


- Manufacturing PMI rebounded to 55.1 in Sep'26 vs. 52.8 in Aug'26, while Services PMI improved to 55.2 vs. 54.1.
- Notably, both PMIs continuing in the expansion zone (>=50) indicate continued strength in the orders pipeline and production.

India Macro Review

PMI

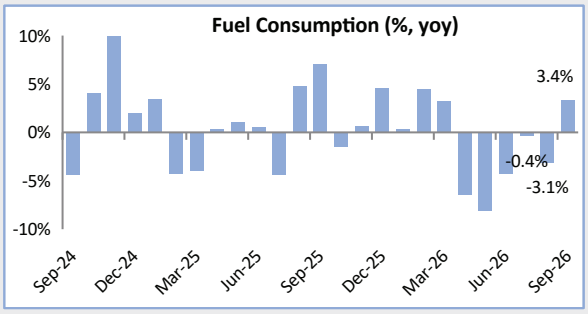
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Fuel consumption YoY Growth (%)

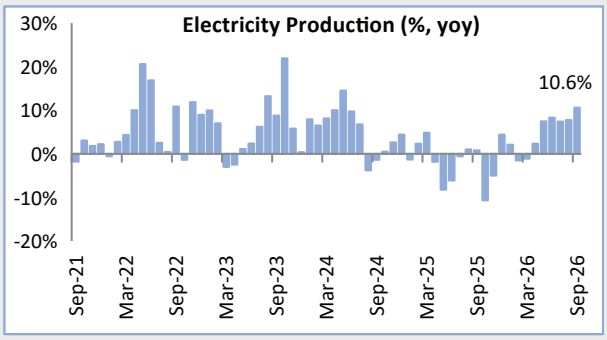
Fuel Consumption (%, yoy)



- Fuel consumption grew 3.4% yoy in Sep'26, after a 3.1% yoy contraction in Aug'26. Transport fuels continued to grow – petrol consumption rose 8.0% yoy in Sep'26 vs. 8.2% yoy in Aug'26, while diesel consumption rose 5.6% yoy vs. 6.8% yoy over the same period.

Electricity Production YoY Growth (%)

Electricity Production (%, yoy)

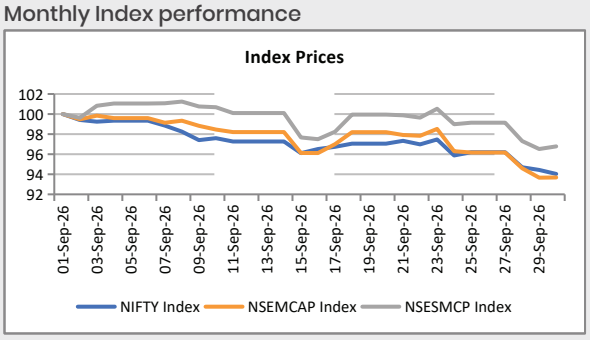


- Electricity production growth picked up to 10.6% YoY in Sep'26 from 7.8% YoY in Aug'26.

Equity Outlook and Positioning

Monthly Index performance

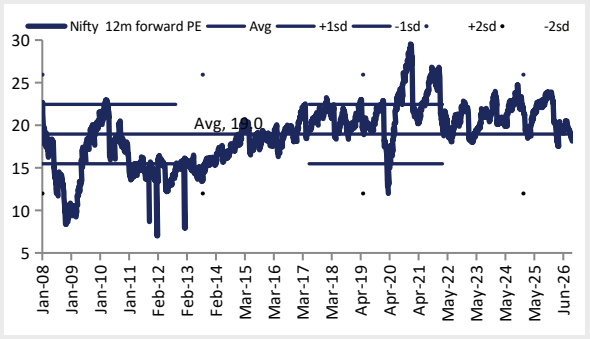
Monthly Index performance



- Indian markets witnessed a broad-based correction in September, with the Nifty-50 Index declining 6.1%, while the Nifty Midcap 100 Index and Nifty Smallcap 100 Index fell 7.6% and 3.4%.
- All major sectoral indices ended the month in negative territory. IT, auto and realty indices declined the most—11%, 9% and 6%. Global markets ended on a mixed note, with Nasdaq (up 1.9%) and Nikkei (up 0.7%) ended on the positive side while most other indices declined. Dow Jones, CAC 40 and DAX declined the most. MSCI World index was down 1.3% whereas MSCI Emerging Markets index was down 0.8%.

Nifty Valuation (1 year forward PE)

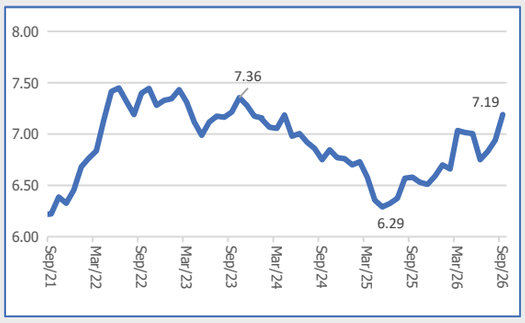
Nifty Valuation (1 year forward PE)



- -Indian markets are currently trading at valuations of 16.3x FY28E estimates and is based on ~15% EPS CAGR over FY26-FY28. Geo-political and inflationary risks are over shadowing reasonable domestic fundamentals leading to massive FII selling. IPOs are absorbing a significant part of domestic liquidity. We believe, fundamentally, equities are well placed and attractively valued, though a runway rally is less likely. The uncertainty around the West Asia war and upside risks to crude oil prices and global bond yields from a prolonged conflict could act as headwinds to the market, even as earnings may stay broadly intact, given the composition of earnings. While the changing macro environment does pose near term volatility risks, this creates investment opportunities and warrants a higher equity allocation for a medium-term investor.
- In terms of monthly flows, FPIs turned net sellers again while DII inflows improved sequentially – DII inflows stood at Rs 760bn vs. FPI outflows of Rs 304bn. For the quarter overall, there was a positive FII inflow of USD1.5bn – first after Q1FY26. However, it failed to revive market sentiments despite strong DII flows owing to heavy primary market issuance as well as PE/promoter selling of ~USD25bn during the quarter.

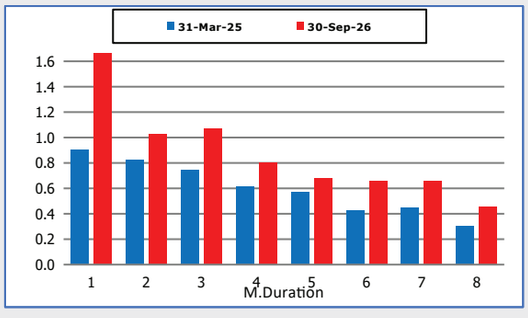
Debt Outlook and Positioning

India 10yr Gsec chart



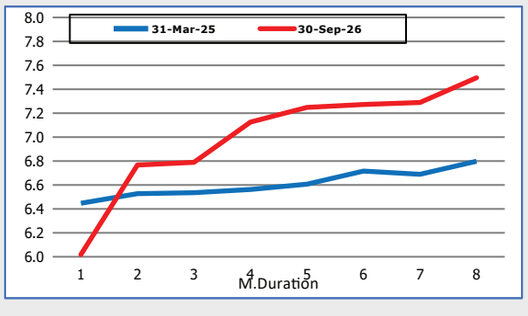
- The US 10 Yr Treasury bond yield (UST) remained volatile in September2026 due to higher-than-expected core CPI, rising energy prices, continued geo-political tension and AI capex crowding out government bonds, leading to higher bond yields. The 10 yr UST rose from 4.75% to 5.28% for the month.
- The FOMC raised the fed funds target range by 25bps to 3.75%-4.00% in a unanimous decision given inflation has remained elevated and backdrop shows upside risks building up. Overall, the combination of stronger growth, a resilient labor market and inflation remaining above target explain the rationale for higher policy rate path.

AAA Curve movement (%)



- In India Gsec yield rose sharply from 6.94% to 7.19% during the month due to rate hike by Fed, OMO sales and hawkish MPC outcome.
- The RBI MPC hiked policy rates by 25 bps as was widely expected. However, deviating from consensus view, the MPC changed the stance of the policy to 'calibrated tightening', which was explained as an indication that the next step for the MPC is either a hike or a pause. CPI projection for FY27 was revised up to 5.2% vs 5% earlier largely led by food and energy. GDP growth for FY27 has been revised to 7.1% vs 6.7% earlier. Overall, the upward revision to growth shows MPC is more confident of growth than before. The confidence stems from the large improvement seen in exports and investments, in the recent past, and hence any sign of generalization of inflation will be dealt with higher policy rates.

G Sec Curve Movement (%)



- With geopolitical risks having become more persistent, more monetary tightening is likely across the world. The markets now expect further tightening by the Fed, ECB, BoE, and BoJ. The higher setting on global neutral real rates, along- side broad based pressure on a host of commodity prices, markets are now pricing in expectations of RBI raising rates by a total of 100-125bps, including the recent hike.

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