# MONTHLY UPDATE
# OCTOBER 2025

24 YEARS
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HDFC Life
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# Market Outlook

## HDFC Life – Monthly Update (November 2025)

### Global Macro Review

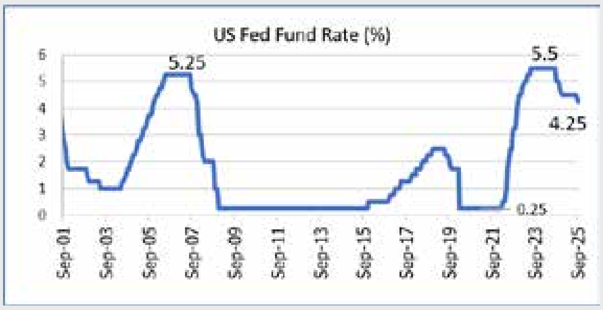
## US CPI (%)

US CPI (%)


- US CPI inflation printed at 3.0% YoY in September from 2.9% YoY in August. However on a sequential basis inflation rose at a softer pace of 0.3% MoM that was below expectations of 0.4%. The slight softening of inflation, and the ongoing weakness in labor market are likely to increase expectations that the Fed continues its easing bias in the December policy.
- The Federal Reserve has cut interest rates by 25 basis points in each of last 2 policy, following an extended period of stable rates. Overall the total cut so far in this cycle has been 150 bps. The updated dot plot now points to the possibility of one more rate cut before the end of the year, reflecting a shift in focus toward supporting labor market conditions. The terminal rate as per market pricing  is around 3.0-3.25% .

## US Fed Fund Rate (%)

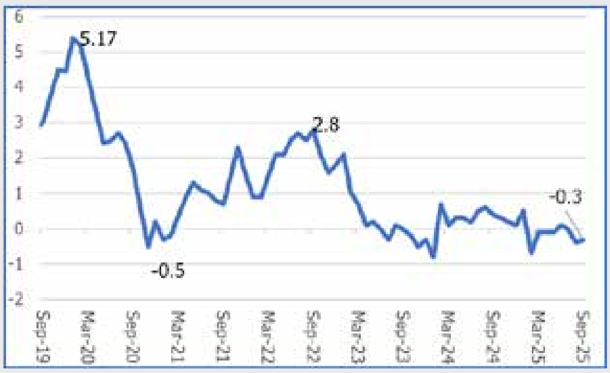
US Unemployment Rate (%)




- Due to US Federal Govt shutdown, most of the tier 1 data such as payrolls, inflation and retail sales have not been released. The lack of timely availability of data may impinge in the timing of the next rate cut. Moreover, the shutdown is likely to have negatively affected employment as well as consumer sentiments.

## China CPI (%)

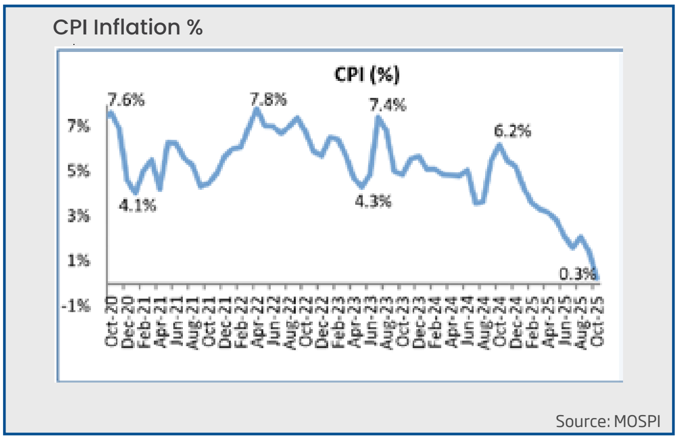
China CPI (%)




- China's consumer prices dropped to -0.3% yoy in Sep vs -0.4% in Aug. The deflationary impulse largely has been due slowdown in growth momentum, as export growth softened due to tariffs and weak private consumption, due to fading government support. Given the softness in prices PBoC is expected to easy policy rates further to support growth.

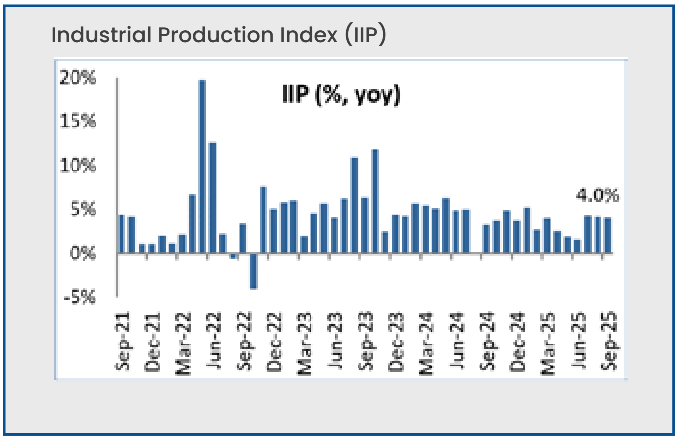
## India Macro Review

## CPI Inflation (%)



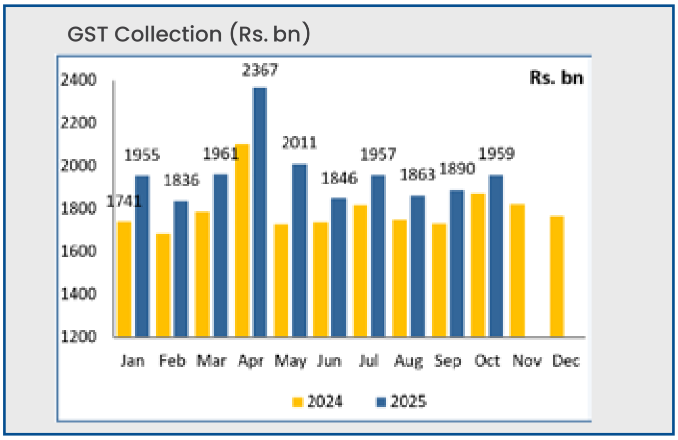

- Inflation (CPI) for Oct'25 eased to 0.3% vs. 1.4% in Sep'25 as food CPI, which constitutes 45.9% of the index, further deflated 3.7% in Oct'25 from 1.4% deflation in Sep'25.
- Core CPI excluding food and fuel, stood at 4.3% in Oct'25 vs. 4.4% in Sep'25 .

## Industrial Production Index (IIP)




- Industrial Production (IIP) growth for Sep'25 stagnated to 4.0% vs. 4.1% in Aug'25 due to expansion in Manufacturing output by 4.8% in Sep'25 vs. 3.8% slowdown in Aug'25. Electricity output growth slowed by 3.1% in Sep'25 vs. 4.1% in Aug'25. However Mining growth contracted 0.4% in Sep'25 vs. 6.6% growth in Aug'25.
- The increase in the Industrial production index reflects increasing momentum in production activities. However, monthly IIP numbers can be volatile and difficult to draw a trend from the same.

## GST Collection (Rs. bn)




- GST revenues for the month of Oct'25 came to Rs. 2tn showing a 4.6% YoY growth vs. Rs. 1.9tn in Oct'24.
- Within GST collection, IGST and SGST showed subdued growth of 7.4% yoy and 7.8% yoy in Oct'25. CGST grew 8.1% yoy in Oct'25 to Rs. 0.37tn vs. Rs. 0.34 tn in Oct'24.

## India Macro Review

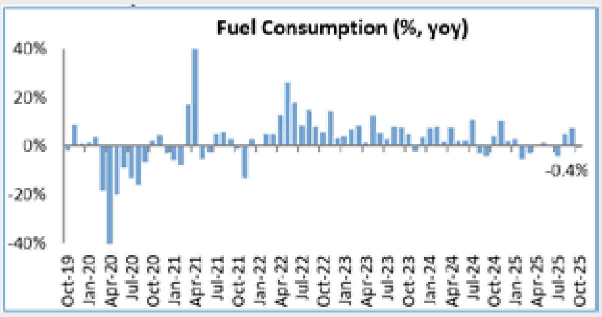
## PMI

PMI


- PMI (manufacturing) grew to 59.2 in Oct'25 vs. 57.7 in Sep'25. PMI (Services) marginally slowed to 58.9 in Oct'25 from 60.9 in Sep'25.
- Notably, PMI continuing in the expansion zone (>=50) indicates the continued strength in orders pipeline and production, despite a slowdown seen in the exports.

## Fuel consumption YoY Growth (%)

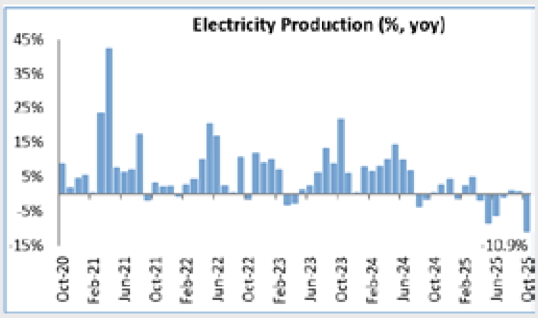
Fuel Consumption (%, yoy)




- Fuel consumption contracted 0.4% yoy in Oct'25 vs. 7.6% yoy growth in Sep'25. Within fuel category, diesel consumpton contracted 0.3% yoy in Oct'25 vs. 6.6% yoy growth in Sep'25. However, Consumption for Petrol surged 7.4% in Sep'25.

## Electricity Production YoY Growth (%)

Electricity Production (%, yoy)

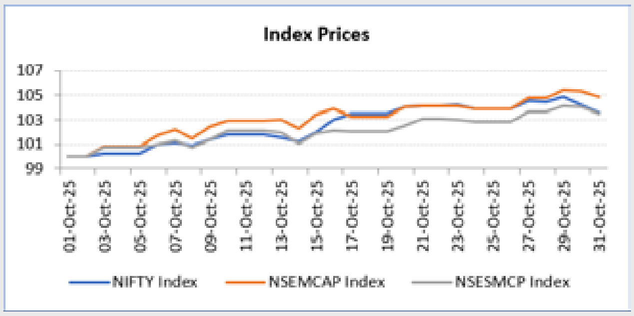



- Electricity production contracted -10% YoY in Oct'25 vs. 0.8% YoY growth in Sep'25.
- Extended rainfall and lower temperature continued to drive down demand for power in Oct'25

## Equity Outlook and Positioning

### Monthly Index performance

Monthly Index performance




- Equity markets were positive in Oct'25 with mid cap indices outperforming largecaps and smallcaps. Nifty 50 closed the month with a return of +3.6% while CNX Midcap Index was up +4% and Small Cap at +3.6%.
- Outperforming sectors included Real estate, Oil & gas, Banking, Metals, IT and Consumer Durables. On the other hand, the underperforming sectors included Auto, FMCG, Capital Goods, Power and Healthcare.

### Nifty Valuation (1 year forward PE)

Nifty Valuation (1 year forward PE)


Source: Bloomberg

- October was the first month that saw the full impact of the recently announced GST rate cuts, notwithstanding the older inventory in the channel. Initial signs are positive with the Auto sector already witnessing healthy traction in volumes. Our expectation is that, in time, other sectors also should start seeing improvements in their volume growth trajectory. A low base of last year and good monsoon rains should also help. In addition, measures taken by the RBI, including relaxation in CD ratio norms and adjustments in risk-weights in some categories of loans, should give a fillip to credit growth.
- In the short term, however, volatility is likely to continue unless we see a quick resolution of the US tariffs on India. Indian markets trade at valuations of 23.5x FY26E and 20.1x FY27E P/E, which is higher than long term averages. Resolution of trade issues with the US and a possible signing of a trade deal are imperative for the markets to perform in the short term. From a medium to long-term point of view, the view remains positive, given the macro stability and government's focus on reform

## Debt Outlook and Positioning

### India 10yr Gsec chart

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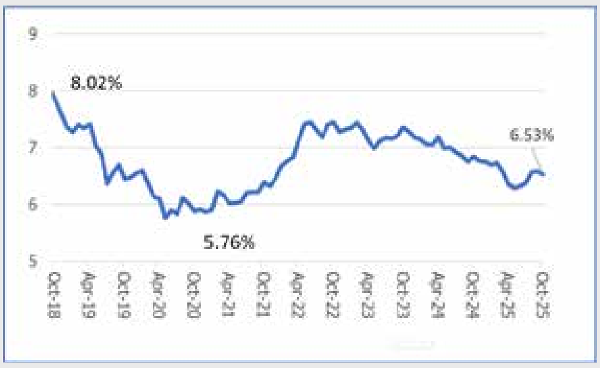
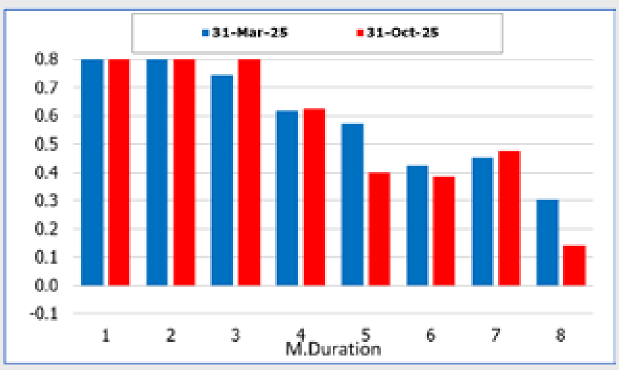



- The 10 Yr Treasury bond (UST) yield eased from 4.15% at the start of month and touched intra month low of 3.93% on rate cut expectations and fears that US Government shutdown would affect economic activity. However considerable divergent opinion among fed members in FOMC minutes on future rate cuts, led to reversal in yields from the month lows. 10yr UST closed at 4.08% vs 4.15%.

### AAA Curve movement (%)

AAA Spreads

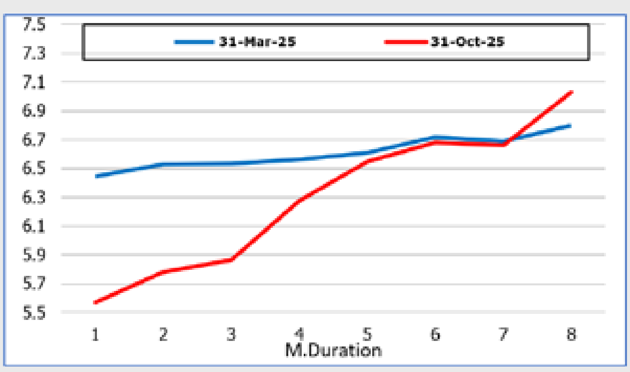



- In India, the 10yr bond yield softened in response to dovish MPC outcome and fall in UST. The 10yr Gsec yield touched intra month low of 6.47% on expectations of further rate cuts. However, with reports of India-US trade deal gaining traction, yields reversed course. The 10 yr GSec ended the month at 6.53% vs 6.58% for the month.

- The FOMC minutes re-affirmed that the decision to reduce the policy rate by 25bps was done to consider the unexpected build-up of weakness in the labor market. Increasing instances of layoff announcements in recent weeks, and the extended period of US federal shutdown, have raised downside risk to growth. Markets expect the Fed to continue with an easing policy, though the extent and timing of future rate cuts remain uncertain.

### G Sec Curve Movement (%)

G Sec Curve Movement




- With benign inflation outlook, along with expectations of OMO purchases from RBI, domestic bond yields are likely to remain supported in near term.

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