

MONTHLY UPDATE

AUGUST 2026



Sar utha ke jiyo!

Market Outlook

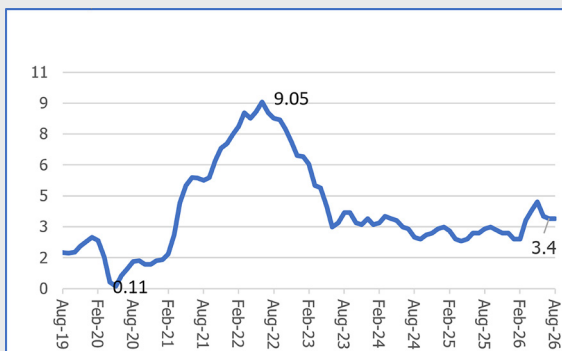
HDFC Life. – Monthly Update (September 2026)



Global Macro Review

US CPI (%)

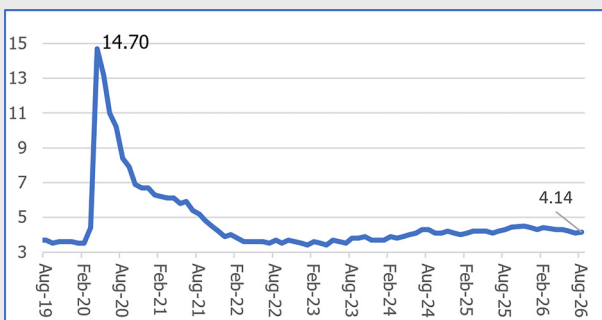
US CPI (%)



- US headline CPI for Aug rose 0.4%MoM and 3.4%YoY driven primarily by rise in energy prices. Food prices were soft, rising 0.07%MoM. Moreover, key shelter inflation slowed. Overall, the release confirmed that inflation persistence is driven by elevated energy prices and sticky services. Going forward, the continued escalations and the resultant surge in energy prices continue to remain an upside risk to inflation.

US Unemployment Rate (%)

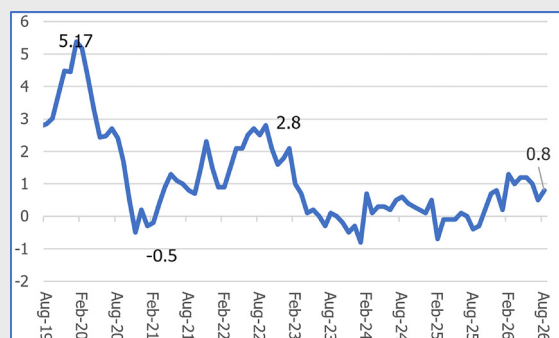
US Unemployment Rate (%)



- The US economy added 162k jobs in August, well above consensus of 55k jobs. The gains were broad based across the categories with notable rebounds in leisure and hospitality. Private payroll also registered 127k additions, although healthcare hiring has slowed down. The unemployment rate increased only slightly from 4.09% to 4.14%.

China CPI (%)

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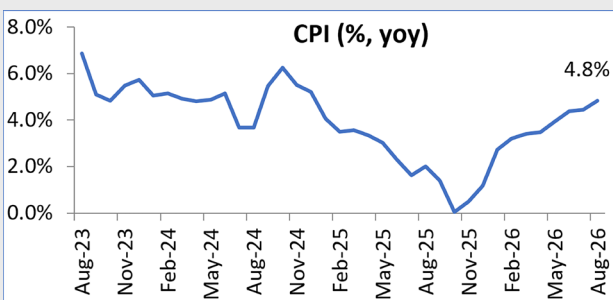


- China's annual inflation climbed to 0.8% in August 2026 from July's six-month low of 0.5%, in line with market estimates. Core inflation, excluding food and energy, rose 1.0% yoy, up from July's six-month low of 0.9%. However, housing costs continue to remain subdued. Overall markets expect a cyclical recovery in growth led by stronger than expected export led demand.

India Macro Review

CPI Inflation (%)

CPI Inflation %

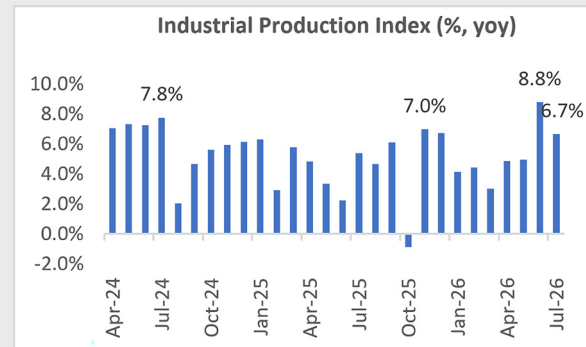


Source: MOSPI

- Inflation (CPI) for Aug'26 rose to 4.8% vs. 4.4% in Jul'26 as Inflation for Food and Beverages increased to 5.7% in Aug'26 vs. 5.2% earlier.

Industrial Production Index (IIP)

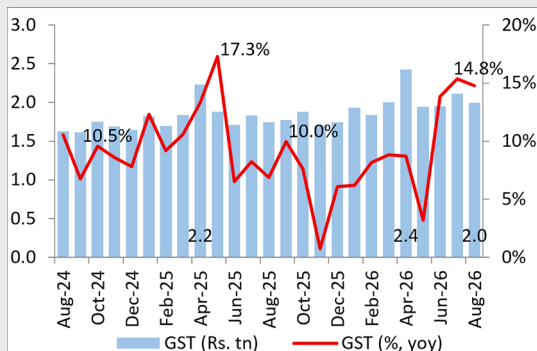
Industrial Production Index (IIP)



- Industrial Production (IIP) growth for Jul'26 moderated to 6.7% yoy vs. 8.8% yoy in Jun'26, with Manufacturing output at 7.3% in Jul'26 vs. 9.5% in Jun'26.

GST Collection (Rs. bn)

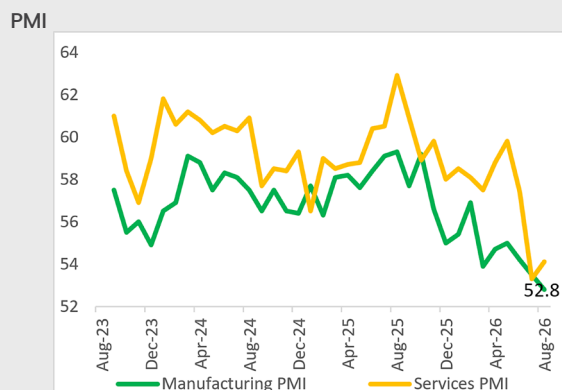
GST Collection (Rs. bn)



- GST revenues for the month of Aug'26 came to Rs. 2.0tn, showing a 14.8% YoY growth vs. Rs. 1.74tn in Aug'25.
- Within GST collection, growth was again led by IGST, which rose 18.5% yoy on the back of a sharp pick-up in import-related collections, while CGST and SGST grew 12.7% yoy and 8.1% yoy respectively in Aug'26.

India Macro Review

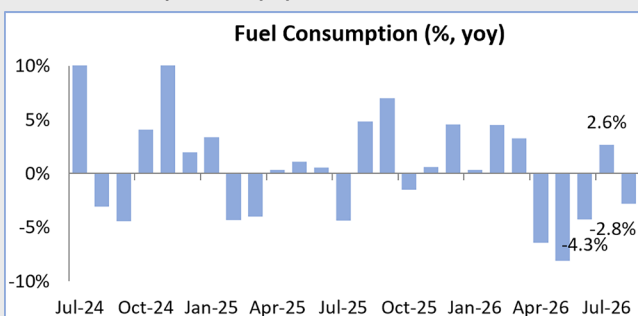
PMI



- Manufacturing PMI eased further to 52.8 in Aug'26 vs. 53.5 in Jul'26.
- 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 (%)

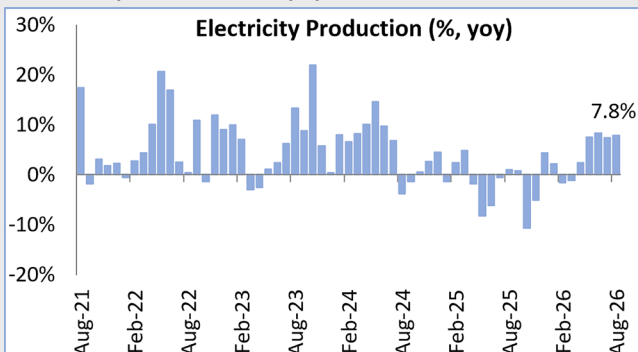
Fuel Consumption (% yoy)



- Fuel consumption contracted 2.8% yoy in Aug'26, after a 2.6% yoy expansion in Jul'26. The decline was concentrated in non-transport products, with transport fuels still growing – petrol consumption rose 8.2% yoy in Aug'26 vs. 9.2% yoy in Jul'26, while diesel consumption rose 6.8% yoy vs. 10.0% yoy over the same period.

Electricity Production YoY Growth (%)

Electricity Production (% yoy)

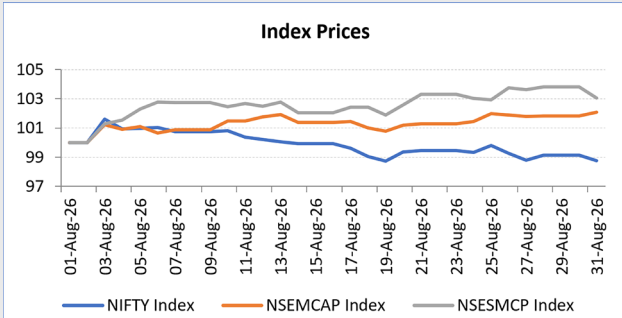


- Electricity production growth picked up to 7.8% YoY in Aug'26 from 7.4% YoY in Jul'26.

Equity Outlook and Positioning

Monthly Index performance

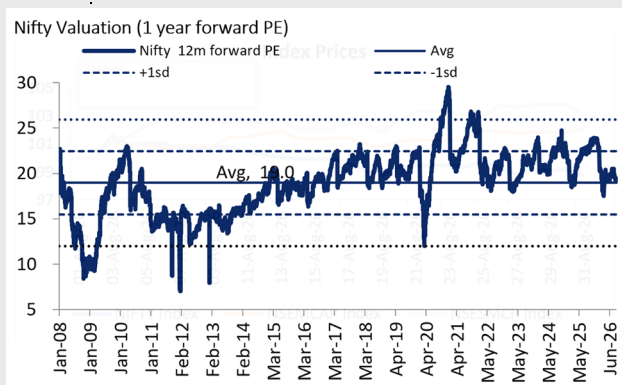
Monthly Index performance



- Indian equities had a mixed month with large cap BSE 100 index losing 0.93% for the month while CNX Midcap Index gaining 2.08%, as elevated crude oil prices and persistent uncertainty surrounding the US-Iran conflict weighed on risk sentiment.
- Sectoral performance was mixed with Pharma (2.5%), Information Technology (1.6%) and Banks (1.3%) gaining the most while FMCG (6.3%), Infrastructure sector (2.4%) and Energy sector (2.0%) declined the most. MSCI India index was down 0.7% during the month.

Nifty Valuation (1 year forward PE)

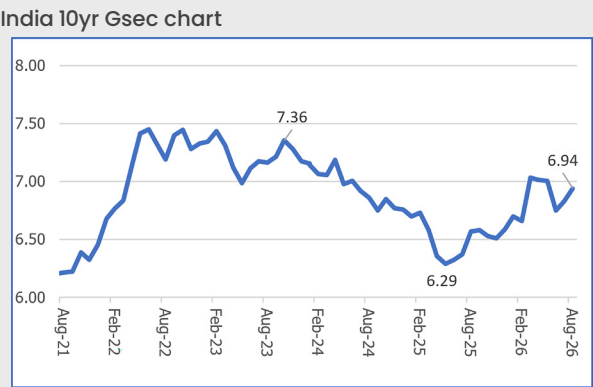
Nifty Valuation (1 year forward PE)



- Indian markets are currently trading at valuations of 17x FY28E (consensus) and is based on 15% EPS CAGR over FY26-FY28. Given the relative underperformance of India, recent steps taken by the government and the RBI to stabilize the currency and revive growth, the medium to long term outlook of Indian markets is positive. However, on a near term, performance will be influenced by global events and monsoon activity as higher commodity inflation can be a dampener to near term earnings growth.
- Foreign institutional investors (FIIs) increased their equity buying to \$2.9 bn in August, compared with \$2.4bn in July, reflecting stronger foreign investor participation and improving sentiment towards Indian equities. Domestic institutional investors (DIIs) remained supportive of the market, with equity purchases rising \$6.1 bn in August from \$3.6bn in July, supported by strong mutual fund inflows and also non mutual fund flows from insurance, pension funds and EPFO.

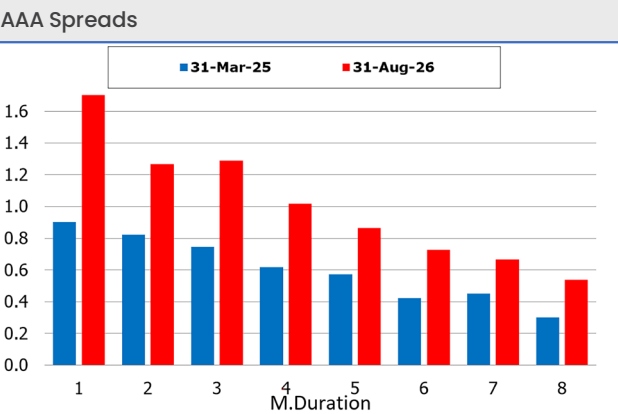
Debt Outlook and Positioning

India 10yr Gsec chart



■ The US 10 Yr Treasury bond yield (UST) remained volatile in Aug 2026 post Fed speech at Jackson Hole which raised concern on inflation and fiscal risk due to rising oil prices and ongoing war. The 10yr UST rose from the low of 4.65% during the month and closed at 4.75% by end of the month.

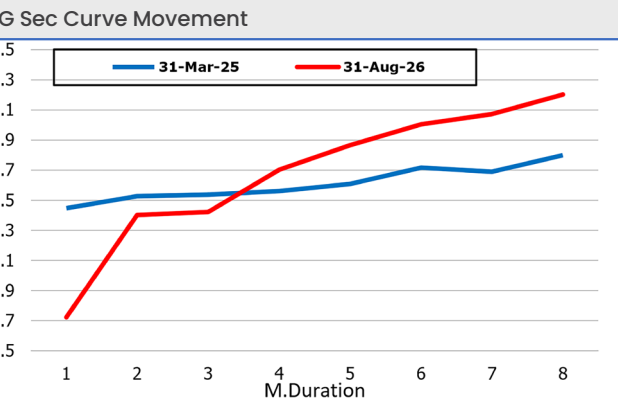
AAA Spreads (%)



■ The RBI MPC minutes which were released in mid-August were perceived to be more hawkish than the policy statements. The significant change was the emphasis on risks of inflation becoming broad-based in coming months due to the eventual pass-through of higher energy and food prices into inflation.

■ In India, the 10-yr GSec yield rallied in first fortnight of the month. The 10 yr GSec rallied from 6.84% at the start of the month to 6.75%. However post the hawkish MPC minutes, high crude price and rise in global bond yields, 10 yr G-sec yield retraced from the lows and closed at 6.94% for the month.

G Sec Curve Movement (%)



■ Geo-political environment continues to remain volatile, though higher than expected FCNR deposits led FX flows have helped in improving dollar liquidity, FX reserves, INR and BOP outlook. This has also led to huge deposit mobilization and record banking system liquidity. Against the backdrop of abundant liquidity, the RBI is expected to use a combination of short-term and long-term measures to reduce excess liquidity from the banking system. Moreover, RBI is also likely to consider raising policy interest rates with the actual timing dependent on evolving geopolitical situation and growth/inflation outlook.



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