MONTHLY UPDATE
JUNE 2026

25 YEARS
Protecting India with Pride

HDFC Life
Sar utha ke jiyo!

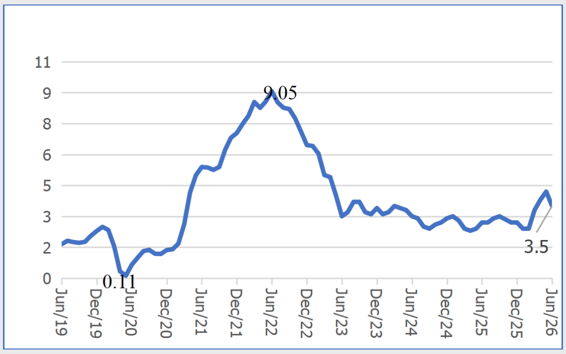
Market Outlook

HDFC Life – Monthly Update (July 2026)

Global Macro Review

US CPI (%)

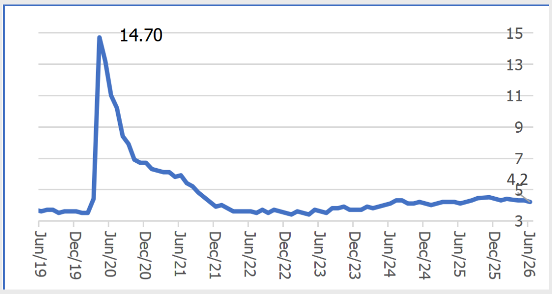
US CPI (%)



- US CPI for June came in lower at 3.5%YoY vs 3.8% that was expected. The weakness was largely across the board reflecting the fall in energy prices and renewed slowing in shelter inflation and motor insurance which should give the Fed confidence to hold rates in the upcoming July policy meeting.

US Fed Fund Rate (%)

US Unemployment Rate (%)



- The June US non-farm payrolls rose 57K vs expectations of 113K additions. The unemployment rate came in below expectations, at 4.2% in June, driven by a sharp contraction in labor force participation rate that dropped from 61.8% to 61.5%. Overall the realease showed that the labour market remained stable in June despite reporting weak numbers on both demand and supply side.

China CPI (%)

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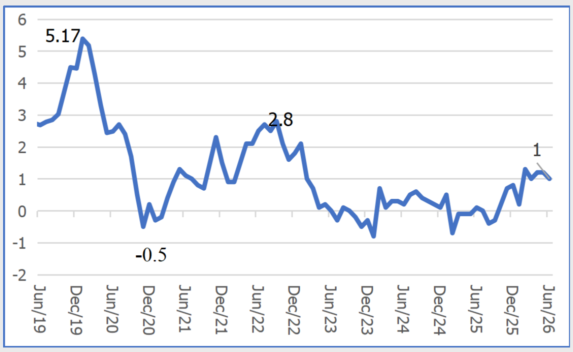

- China's CPI eased to 1.00% Y-o-Y in June from 1.2% in May vs market expecation of 1.1%, which is the lowest increase in three months. Non-food inflation also slowed due to fall in transportion cost as the government cut domestic retail gasoline and diesel prices in June due to fall in global crude oil prices. Overall, the Chinese economy seems to be weighed down by muted investment demand, led by the property sector, along with a slowdown in domestic demand, as seen in most high frequency indicators.

India Macro Review

CPI Inflation (%)

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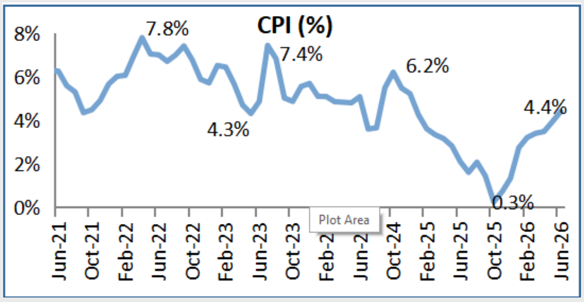

Source: MOSPI

- Inflation (CPI) for June'26 showed pick up to 4.4% vs. 3.9% in May'26, as food inflation picked up to 5.1% in June'26 from 4.5% inflation in theprevious month.
- WPI inflation increased further to 9.87% in June'26 vs. 9.68% in May'26 - led by Fuel and Power (27.41%) and Manufactured products (7.48%).

Industrial Production Index (IIP)

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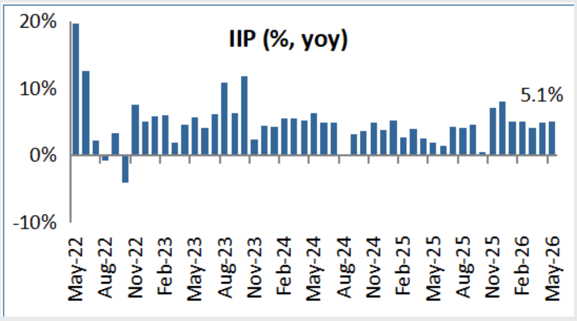

- Industrial Production (IIP) growth for May'26 picked up to 5.1% yoy vs. 4.9% yoy in Apr'26, due to pick up in in growth of Electricity and Gas output to 9.9% in May'26 vs. 4.9% in Apr'26 while Manufacturing output slowed to 5.5% in May'26 vs. 6.2% in Apr'26. However, Mining growth contracted to -1.6% in May'26 for the 5th consecutive month.

GST Collection (Rs. bn)

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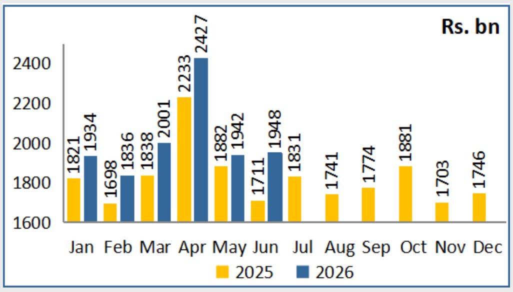
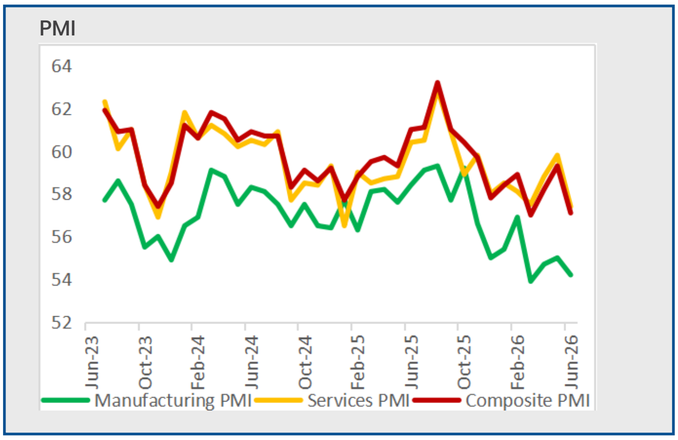


- GST revenues for the month of Jun'26 came to Rs. 1.9tn showing a 13.9% YoY growth over Rs. 1.7tn in June'25.
- Within GST collection, growth was led by IGST at 20.4% yoy, followed by growth in CGST and SGST by 8.2% yoy and 4.3% yoy respectively.
- Net GST picked up to 11% yoy, at Rs. 1.6tn in June'26 vs. Rs. 1.5tn in June'25.

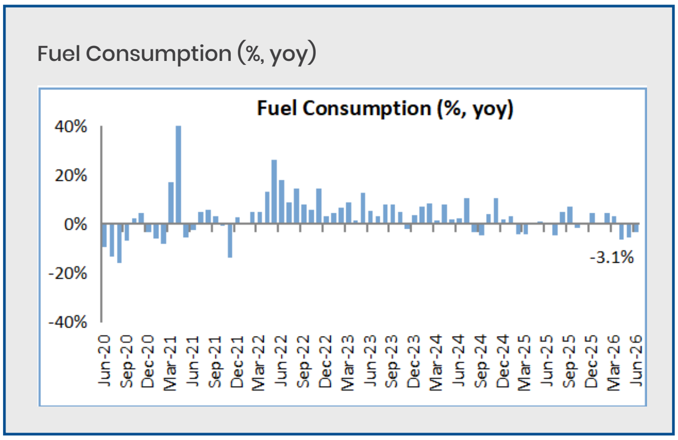
India Macro Review

PMI



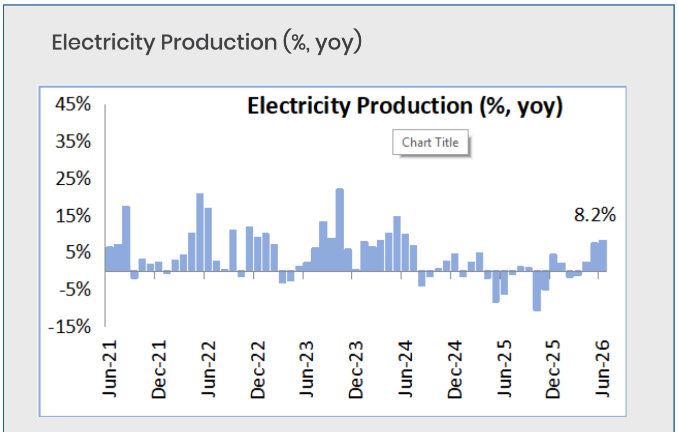
- PMI (manufacturing) slowed marginally to 54.1 in June'26 vs. 55 in May'26. PMI (Services) also slowed to 57.4 in June'26 from 59.8 in May'26.
- Notably, PMI continuing in the expansion zone (>=50) indicates the continued strength in orders pipeline and production, despite a slowdown seen in the exports.

Fuel consumption YoY Growth (%)



- Fuel consumption contracted 3.1% yoy in June'26 after the 5.3% yoy contraction in May'26. Within fuel category however, petrol consumption growth picked up 7.5% yoy in June'26 vs. 3.4% yoy in May'26. Consumption growth for diesel also hit 6.2% in June'26 vs.1.6% pick up in May'26.

Electricity Production YoY Growth (%)

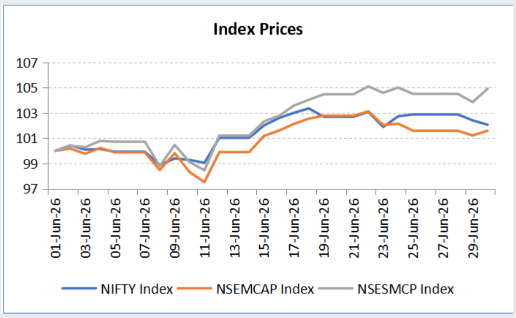


- Electricity production surged to 8.2% YoY in June'26 vs. 7.5% YoY pick-up in May'26.

Equity Outlook and Positioning

Monthly Index performance

Monthly Index performance



- Indian equities had a mixed month with large cap BSE 100 index gaining 1.35% for the month while CNX Midcap Index ended flat, amid easing geopolitical tensions with Brent crude prices correcting nearly 18% during the month.
- Sectoral performance was mixed with Banks (6.1%), Healthcare sector (4.0%) and Realty sector (5.9%) gaining the most while Information Technology sector (9.6%), Energy sector (2.7%), Utilities sector (3.4%) and FMCG sector (1.2%) declined the most. MSCI India index was up 0.8% during the month.

Nifty Valuation (1 year forward PE)

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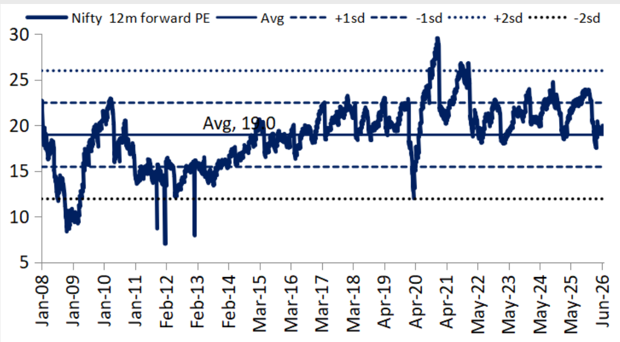
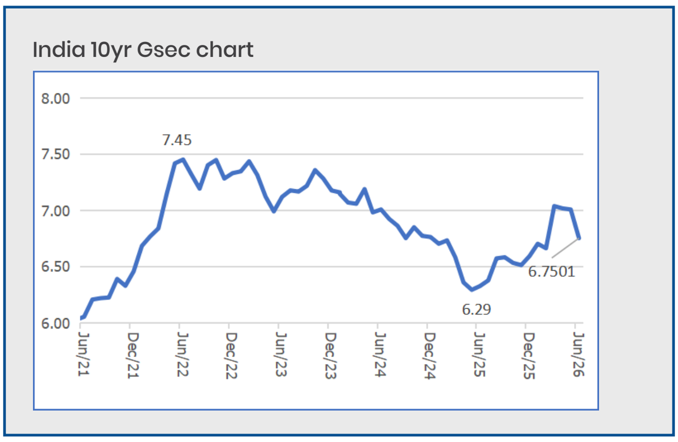


- The 1QFY27 earnings are expected to fare better with acceleration in top line but some moderation at the bottom line mainly due to rising raw material cost owing to West Asia crisis. The Nifty-50 earnings are expected to register a modest 5% EPS growth in Q1FY27. The growth will be mainly driven by Financials, metals, Industrials and Telecom. Also, the earnings ask rate remains elevated with consensus forecasting high teens profit growth in FY27.
- Going forward, with improved domestic consumption, healthy credit growth, strong GST collection, stabilization of currency, ongoing negotiations between US-Iran and an inflection of FII flows to positive territory, provide confidence in India's longer term growth trajectory. However, on a near term, market performance will be influenced by global events and Q1FY27 earnings season as higher commodity inflation can be a dampener to near term earnings growth.

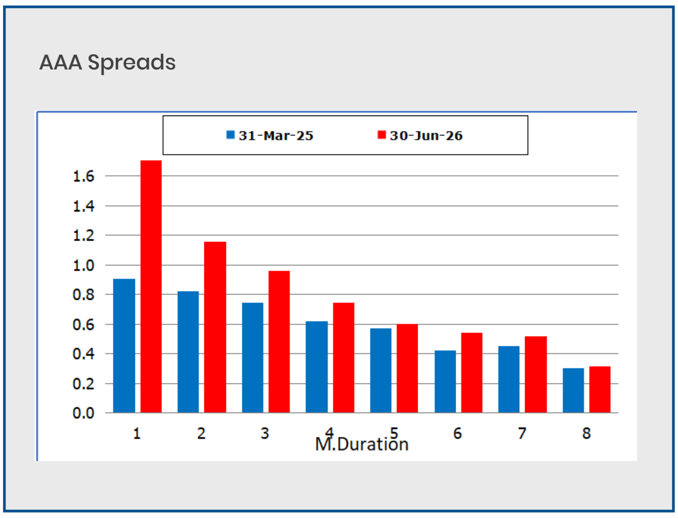
Debt Outlook and Positioning

India 10yr Gsec chart



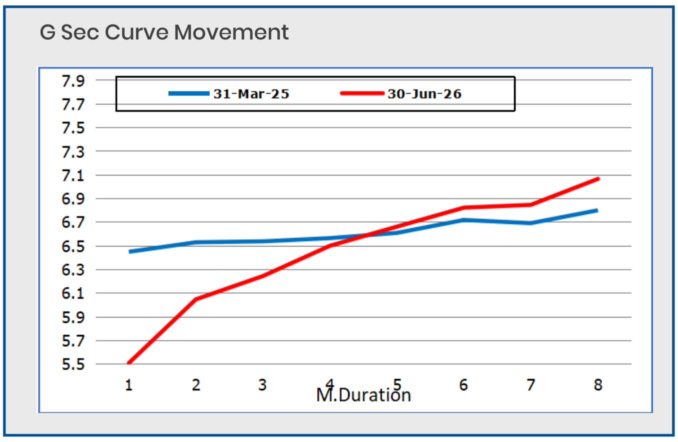
- The US 10 Yr Treasury bond yield (UST) remained volatile in June 2026, as it touched an intra month low of 4.36% on announcement if the ceasefire in the Iran war. However, with other macro data coming out stronger than expected, yields retraced back higher and closed flat at 4.46% by the end of the month.

AAA Curve movement (%)



- In June, the US FOMC, led by newly appointed chairman, Kevin Warsh, was more hawkish than market expected. While the Fed kept rates unchanged, the communication leaned more towards hawkish side, as he laid emphasis on bringing inflation back to 2% target. The economic projections shared by the Fed, now indicates one hike in 2026 vs a 25bps cut forecast in the March policy. However, the sharp drop in crude prices has reduced the upside risk to inflation and markets now expect the Fed to remain on hold over the rest of the year.
- In India, the 10-yr G-sec yield rallied in June on war resolution, sharp decline in crude prices, improvement in INR outlook and robust FPI inflows in Govt securities. The 10 yr yield eased by 28bp and closed the month at 6.75%.

G Sec Curve Movement (%)



- The sharp decline in oil prices has helped in changing macro stability outlook - growth, inflation, CAD. RBI's measures to boost FX flows has brought some relief for the Rupee from the relentless depreciation pressures. Going forward, the extent of monsoon rains, FCNR(B) flows and developments on the inclusion of Indian bonds in the Bloomberg index are expected to be the near-term triggers, though the bond yields are expected to trade within a narrow range.

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