MONTHLY UPDATE
FEBRUARY 2026

25 YEARS
Protecting India with Pride

HDFC Life
Sar utha ke jiyo!

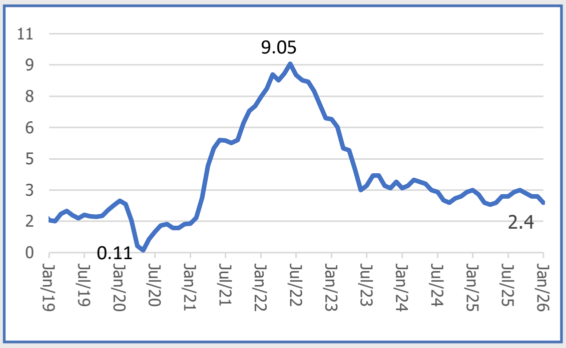
Market Outlook

HDFC Life – Monthly Update (March 2026)

Global Macro Review

US CPI (%)

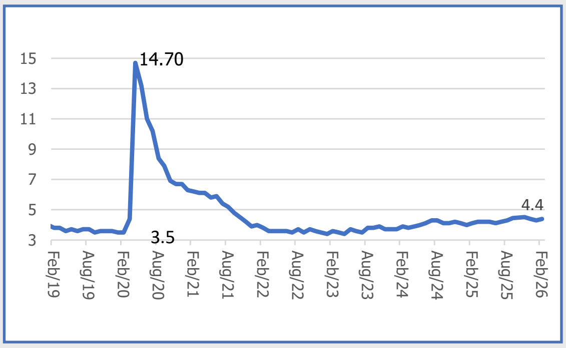
US CPI (%)



- US CPI headline came in a touch softer than expected at 2.4% YoY with core print exactly in line at 0.3%. The fall is largely due to softer shelter and goods prices; however super core remains elevated. Overall the release confirms that inflation is not accelerating as tariff pass-through appears to have been moderate given the trend seen in core goods inflation. For FOMC, the release is unlikely to change plans to maintain status quo in the March 2026 policy meeting.

US Unemployment Rate (%)

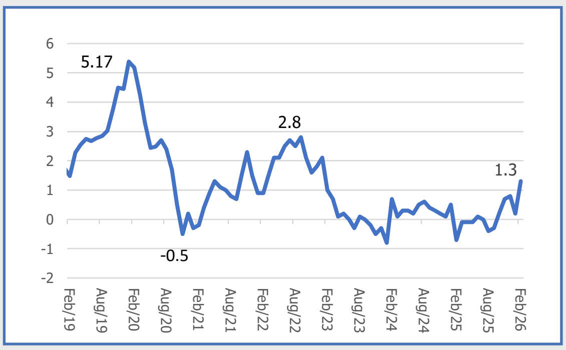
US Unemployment Rate (%)



- The US non-farm payrolls fell by -92K (exp: +55K) in February while downward revisions of -69K were made to the previous two months for December (-65K) and January (-4K) respectively. This is largely due to health care worker strike and severe winter, which weighed on job growth. The unepmloyment rate rose to 4.44% from 4.32%. Overall, the release shows that labour market remains weak with softness visible in both the demand and supply side. However, FOMC may want to wait for next release to see if Feburary report was just one-off due to temporary factors.

China CPI (%)

China CPI (%)

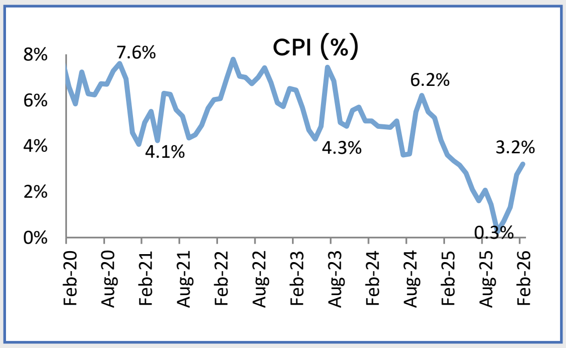


- China's CPI reading came at 1.3% YoY in Febrruary vs 0.2% last month, largely due to holiday spend during Lunar New year. However, the core issue of demand dynamics cotinue to remain subpar and the growth outlook for FY27 may continue to remaing in the range of 4.5%-5% of GDP.

India Macro Review

CPI Inflation %

CPI Inflation %



Source: MOSPI

- Inflation (CPI) for Feb'26 picked up to 3.2% vs. 2.7% in Jan'26 as food prices rose 3.4% in Feb'26 from 2.1% inflation in Jan'26.
- Core CPI exlcuding food and fuel remained stable at 3.3% in Feb'25.

Industrial Production Index (IIP)

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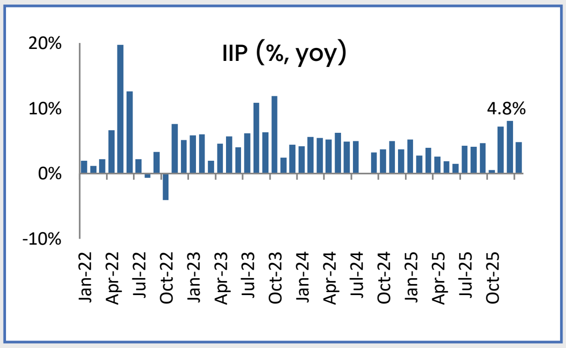

- Industrial Production (IIP) growth for Jan'26 slowed to 4.8% vs. 8% surge in Dec'25, due to slowdown in growth of Electricity output to 5.1% in Jan'26 vs. 6.3% in Dec'25 and Manufacturing to 4.8% in Jan'26 vs. 8.4% growth in Dec'25. Mining growth also slowed to 4.3% in Jan'26 vs. 6.9% growth in Dec'25.
- The pick up in production activities seems is proving to be uneven. Monthly IIP numbers have been volatile and is difficult to draw a trend from the same.

GST Collection (Rs. bn)

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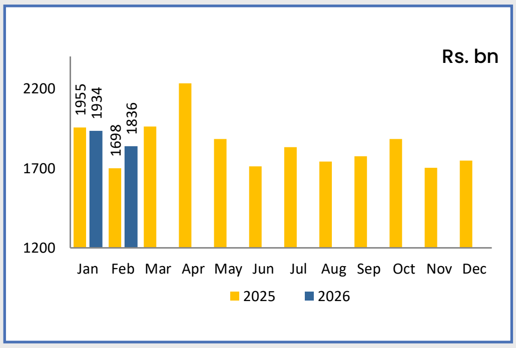
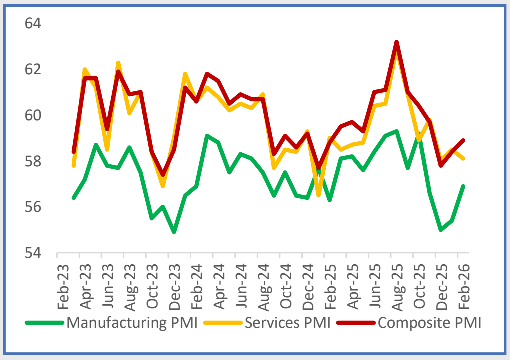


- GST revenues for the month of Feb'26 came to Rs. 1.8tn showing an 8.1% YoY growth vs. Rs. 1.7tn in Feb'25.
- Within GST collection, growth was led by IGST at 10.3% yoy, followed by growth in CGST and SGST by 6.4% yoy and 5.0% yoy, respectively, in Feb'26.

PMI

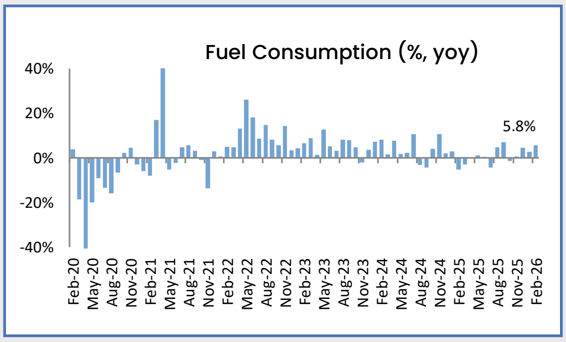
PMI



- PMI (manufacturing) marginally increased to 56.9 in Feb'26 vs. 55.4 in Jan'26. PMI (Services) witnessed marginal slowdown to 58.1 in Feb'26 from 58.5 in Jan'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 %

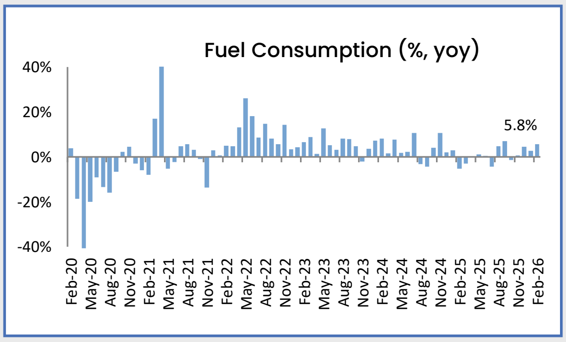
Fuel Consumption (%, yoy)



- Fuel consumption jumped 5.8% yoy in Feb'26 vs. 2.8% yoy slowdown in Jan'26. Within fuel category, diesel consumption growth picked up to 4.3% yoy in Feb'26 vs. 3.3% yoy growth in Jan'26. Consumption growth for Petrol remained stable at 6.1% in Feb'26 vs. Jan'26.

Electricity Production YoY Growth %

Electricity Production (%, yoy)



- Electricity production growth slowed to 1.6% YoY in Feb'26 vs. 5.1% YoY growth in Jan'26.
- Weaker growth in Feb was driven by a high base and extended winters.

Equity Outlook and Positioning

Monthly Index performance

Monthly Index performance

- Equity markets were positive in Feb'26 with mid cap indices outperforming smallcaps and largecaps. Nifty 50 closed the month up 1.4% while CNX Midcap Index gave a positive return of 3.5% and Small Cap at 3.1%.
- Outperforming sectors included. Power,, Consumer durables, Healthcare, Capital goods and Auto. On the other hand, the underperforming sectors included IT and Realty.

Nifty Valuation (1 year forward PE)

Nifty Valuation (1 year forward PE)

Source: Bloomberg

- In the near term, the steep escalation in the conflict between Iran and the US, potential concerns about a wider conflict in the Middle East and higher crude oil prices is expected to further dampen investment sentiment for India. The Indian market has been grappling with relatively high valuations and growing concerns around the potential AI threat to IT services exports.
- Overall, Indian equities ended February on a somber note, with the war introducing a fresh layer of uncertainty. The primary source of uncertainty in 2026 is likely to emanate from global developments, where heightened volatility across asset classes remains a concern. Domestically, conditions appear to be gradually improving, with credit growth accelerating and policymakers remaining supportive of growth.
- Indian markets trade at valuations of 19.4x FY27E and 16.9x FY28E P/E (higher than long term averages) and is based on 15% EPS CAGR over FY26-FY28. This earning assumption can be revised downwards in case of prolonged war in middle east. Given the relative underperformance of India, steps taken by the government and the RBI to revive growth and improving outlook for exports because of the announced FTAs, the medium to long term outlook of Indian markets looks good.

Debt Outlook and Positioning

India 10yr Gsec chart

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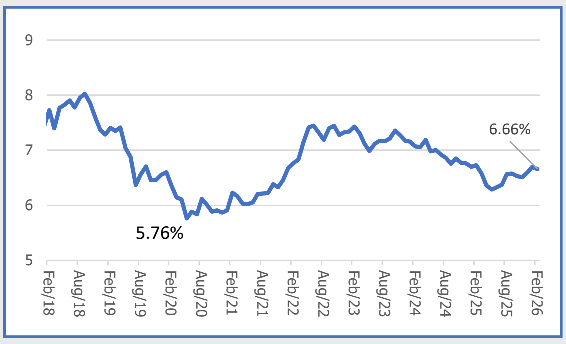

- The US 10 Yr Treasury bond yield (UST) eased from 4.24% to 3.94% in Feb due to lower-than-expected monthly CPI data, reduced tariff related uncertainty and demand for safe heaven assets, as geopolitical tensions rose in the middle east.
- In India, the 10yr bond yield was range bound at the start of the month; however, with the announcement of the US trade deal, heavy OMO purchases by RBI and large switches of FY27 maturity G-Sec into longer maturities, helped in improving the sentiments. Further, monthly inflation, which came in line with expectations under new data series, with core inflation showing signs of cooling, helped market sentiments and the 10 yr Gsec yield closed 4bp lower vs. previous month at 6.66%.

US Unemployment Rate (%)

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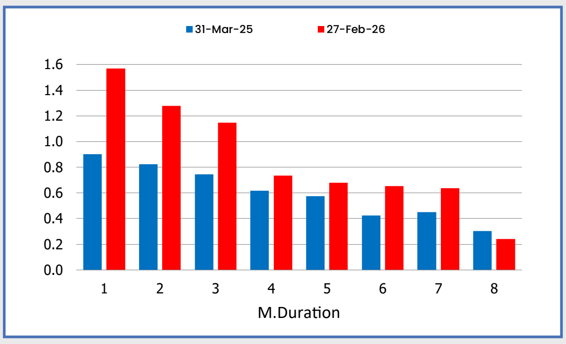
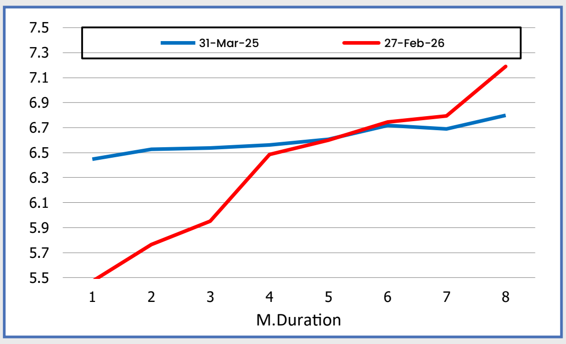


- With the three key events (Union budget, monetary policy and US trade deal) behind us, markets are navigating a complex macro backdrop marked by rising geopolitical tension, volatile commodity dynamics and steady repricing of rate expectation in developed markets. The rising energy prices due to the war in the Middle East is yet to flow into domestic data.

G Sec Curve Movement

G Sec Curve Movement



- With RBI likely to stay on a prolonged pause, the bond markets will continue to look to RBI's support in maintaining sufficient durable liquidity and continued OMO purchases to alleviate supply pressures in the bond market. However, the large government borrowing in the next fiscal and muted demand for bonds, is likely to keep yields elevated in the near future.

Sar utha ke jiyo!