

MONTHLY UPDATE

MARCH 2026



Market Outlook

HDFC Life – Monthly Update (April 2026)



Global Macro Review

US CPI (%)

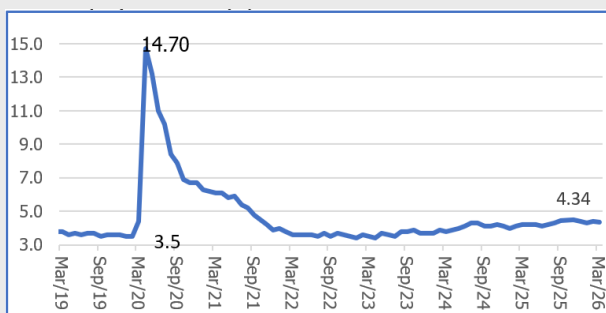
US CPI (%)



■ US CPI came in line with expectations both on sequential basis at 0.3% MoM and on a YoY basis at 2.4% YoY in February. Core CPI at 0.22% was softer than in the previous month. Although key components like shelter continues to slow, the new upside risk to inflation, due to rising energy prices, is likely to induce caution at the US Fed.

US Unemployment Rate (%)

US Unemployment Rate (%)



■ The monthly payroll data continues to be volatile, witnessed by the sharp rebound in March, printing at 178k vs 65k expected, reflecting some normalization after the -133k decline in February, that took place on the back of strikes and adverse weather conditions. The unemployment rate printed below expectations, at 4.3% in March from 4.4% in February. Overall the release will increase the case for status quo for FOMC meeting in April.

China CPI (%)

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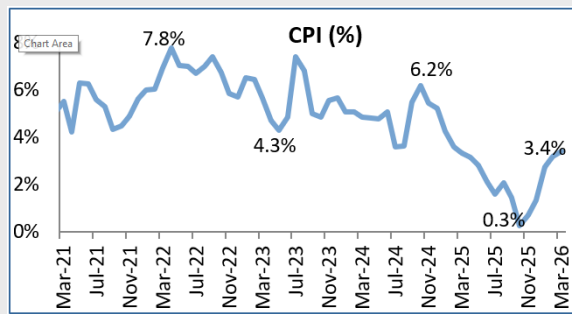


■ China's CPI eased to 1% YoY in March vs 1.3% YoY in February. The decline was largely due to fall in food and vegetable prices. China also recently imposed controls on domestic fuel prices to cushion households and businesses against higher oil costs. On a monthly basis, the CPI fell 0.7%, after a 1.0% gain in February, marking the first drop since November; however underlying demand condition continue to remain fragile due to the Middle-east war and continued trade tension with US.

India Macro Review

CPI Inflation (%)

CPI Inflation %

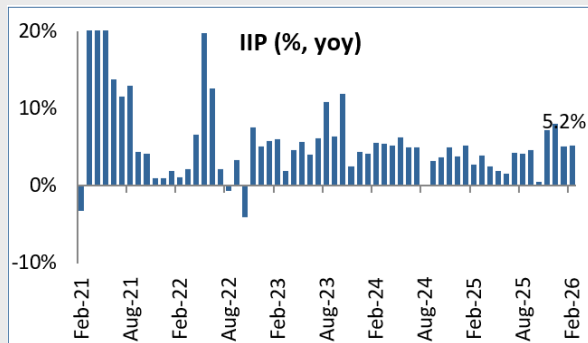


Source: MOSPI

- CPI inflation for Mar'26 showed marginal pick up to 3.4% vs. 3.2% in Feb'26 as food CPI was up 3.7% in Mar'26 from 3.4% inflation in Feb'26.
- Core CPI, excluding food and fuel items, remained stable at 3.3% in Mar'25.

Industrial Production Index (IIP)

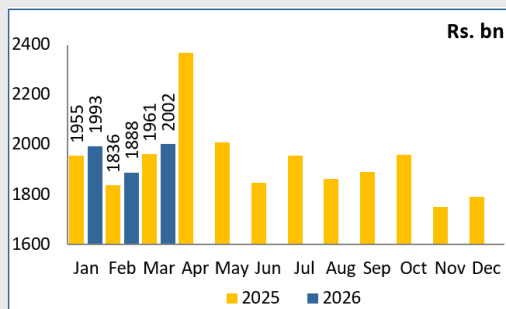
Industrial Production Index (IIP)



- Industrial Production (IIP) growth for Feb'26 increased marginally to 5.2% vs. 5.1% in Jan'26 due to slowdown in growth of Electricity output to 2.3% in Feb'26 vs. 5.1% in Jan'26 and Mining to 3.1% in Feb'26 vs. 4.3% growth in Jan'26. Manufacturing growth picked up to 6% in Feb'26 vs. 5.3% growth in Jan'26.
- The increase in the Industrial production index reflects momentum in production activities. However, monthly IIP numbers can be volatile and difficult to draw a trend from the same.

GST Collection (Rs. bn)

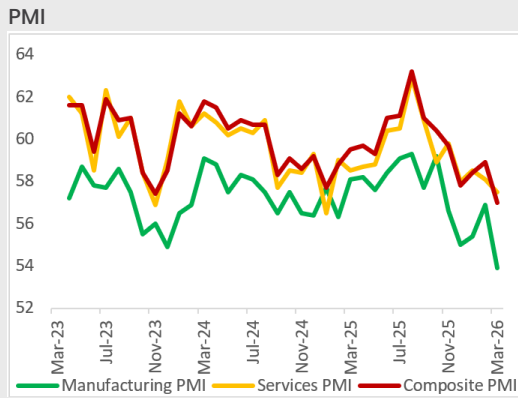
GST Collection (Rs. bn)



- GST revenues for the month of March'26 came to Rs. 2.0tn showing a 2.1% YoY growth vs. Rs. 1.96tn in March'25.
- Within GST collection, growth was led by IGST at 10.9% yoy, followed by growth in CGST and SGST by 6.3% yoy and 6.8% yoy respectively in Mar'26.

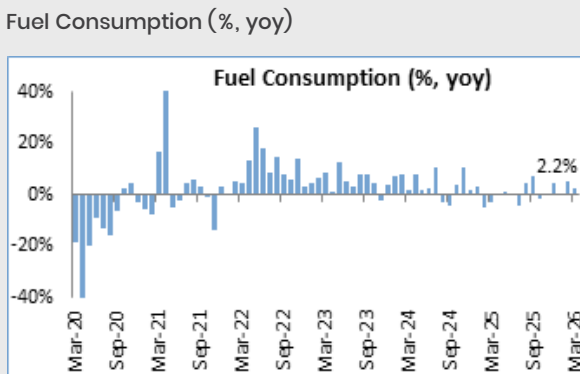
India Macro Review

PMI



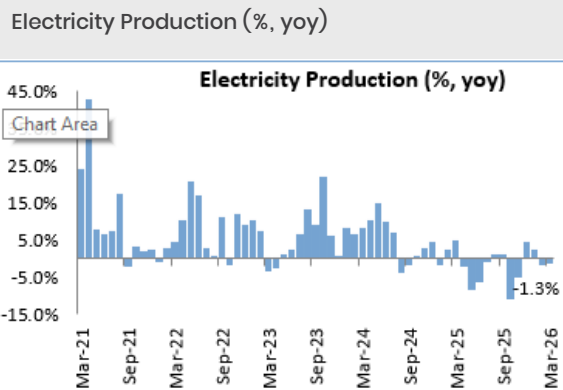
- PMI (manufacturing) slowed to 53.9 in Mar'26 vs. 56.9 in Feb'26. PMI (Services) also slowed to 57.5 in Mar'26 from 58.1 in Feb'26.
- Notably, PMI continuing in the expansion zone (≥ 50) indicates the continued strength in orders pipeline and production, despite a slowdown seen in the exports.

Fuel consumption YoY Growth (%)



- Fuel consumption witnessed major slowdown to 2.2% yoy in March'26 vs. 5.5% yoy jump in Feb'26. However within fuel category, diesel consumption growth picked up to 8% yoy in Mar'26 vs. 4.3% yoy growth in Feb'26. Consumption growth for Petrol also grew to 7.6% in Mar'26 vs. 6.1% in Feb'26.

Electricity Production YoY Growth (%)

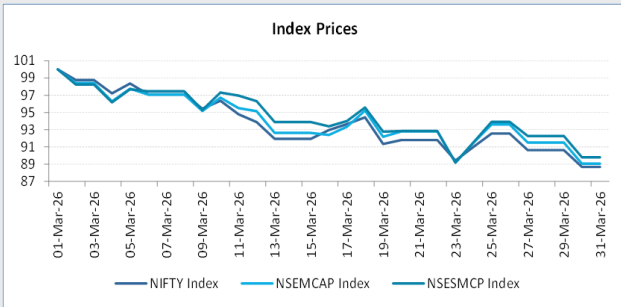


- Electricity production contracted by 1.3% YoY in Mar'26 vs. 2.3% YoY contraction in Feb'26.
- The sustained decline in electricity generation is attributable to ongoing and persistent geopolitical tensions affecting the economy and lower temperatures on account of unseasonal rains.

Equity Outlook and Positioning

Monthly Index performance

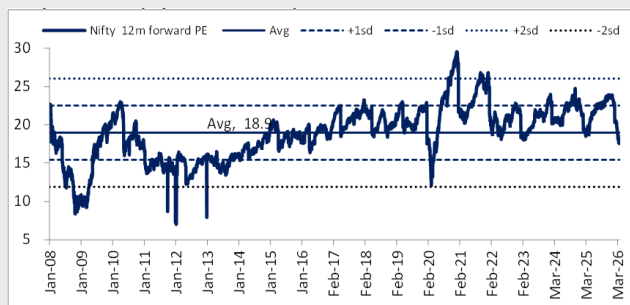
Monthly Index performance



- Equity markets were negative in Mar'26 with small cap indices outperforming midcaps and largecaps. Nifty 50 closed the month down 11.3% while CNX Midcap Index fell 11% and Small Cap was down 10%.
- All sectoral indices ended in red with Banking, Realty and Auto being worst performers and Pharma, IT and Power being best performer.

Nifty Valuation (1 year forward PE)

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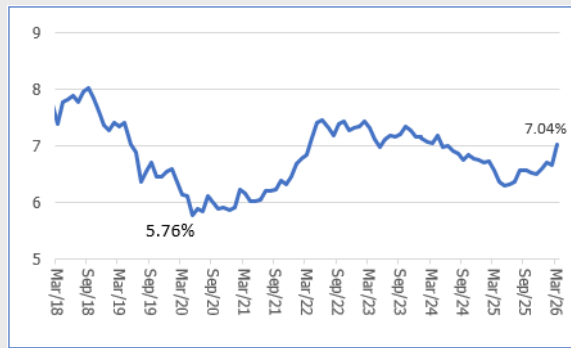


- Higher input costs risk squeezing corporate margins and could reignite earnings downgrades, especially as the downgrade cycle appeared to be bottoming pre-conflict. Growth could weaken via multiple channels: softer consumption as real purchasing power erodes; constrained government spending to protect fiscal targets amid higher oil subsidies; and slower investment as profitability comes under pressure. Nevertheless, there are reasons for cautious optimism. Historically, supply-driven oil price spikes have been short lived. India's underlying structural growth drivers remain robust. Given the relative underperformance of India, steps taken by the government and the RBI to revive growth and improving outlook for exports from the announced FTAs, the medium to long term outlook of Indian markets looks good. We see better reward-risk balance in the market after recent correction. Post-correction, valuations have become more reasonable, with the Nifty 50 trading at around 18x one-year forward.

Debt Outlook and Positioning

India 10yr Gsec chart

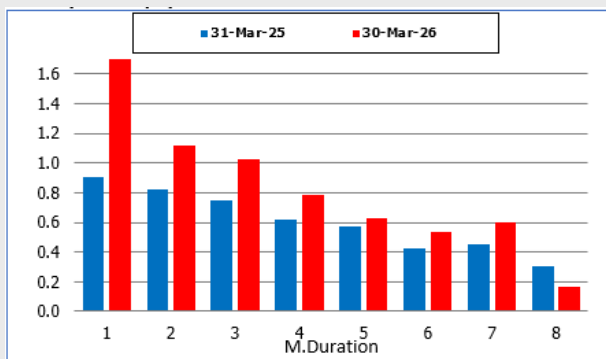
India 10yr Gsec chart



- The US 10 Yr Treasury bond yield (UST) rose sharply from 3.94% to 4.35% in March due to the Iran war, which led to a sharp spike in oil prices. While Brent has been on appreciating mode since start of calendar year (Jan 2026: +6.5% m/m; Feb 2026: +6.4% m/m), oil prices surged further by ~46% m/m in March 2026 on global supply shock which led to rise in inflation expectation and rise in bond yields.

AAA Curve movement (%)

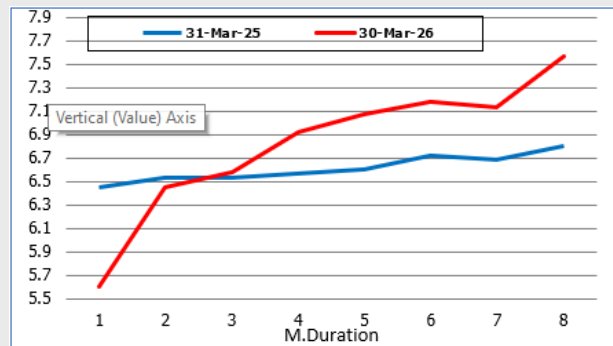
AAA Spreads



- March FOMC minutes gave little new guidance and emphasized that risks to mandate are elevated further by war, and further policy action depends on evolution of data in the coming months. Markets are currently pricing about one cut in 2026.
- In India, the 10yr bond yield was in the range of 6.66%-7.14% in line with rise with global bond yields driven by the war and currency movements, though RBI supported the market by aggressive OMO purchases, of Rs 2 trn which led to containment of yield in 1st half of the month. However, yield rose sharply across the curve post RBI withdrawing its support.

G Sec Curve Movement (%)

G Sec Curve Movement



- With absence of clarity on the Middle-East conflict, the financial markets are likely to remain volatile. The fear of an extended war is feeding into concerns on macro stability.
- RBI is likely to stay on a prolonged rate pause, and in the absence of any strong measures from RBI, bond yields are expected to trade in a narrower range in the coming months, though markets remain susceptible to external developments, primarily in the Middle East.



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