

# Market Outlook

HDFC Pension – Monthly update (February 2026)



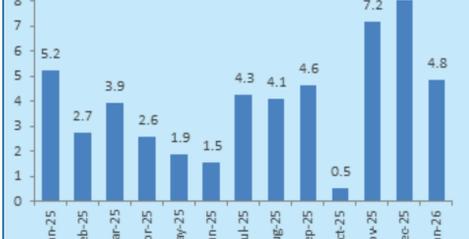
## Economic Overview

### Inflation %



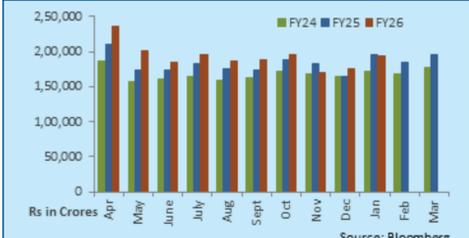
- Headline inflation (CPI) for January 2026 inched up further 2.8% inline with market expectation.
- Core inflation i.e. (CPI Ex Food and Fuel) came at 3.3% for January 2026 as per CPI Series 2024 vs 4.6% previous month reading.
- Globally, U.S. inflation though marginally declined to 2.4%, remains above the Federal Reserve's 2% target. However came below market expectation of 2.5%.

### Index of Industrial Production (IIP)



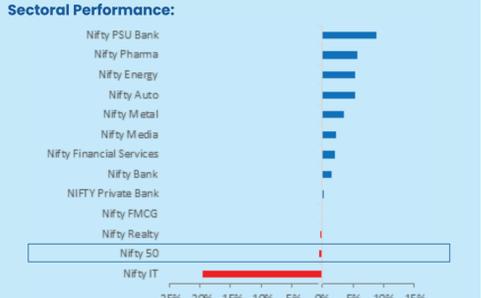
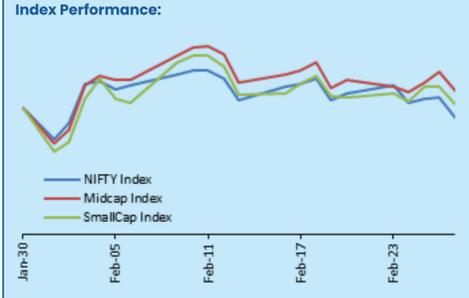
- Industrial Production (IIP) growth for January 2026 came in at 4.8%, below the market expectation of 6%.
- The slowdown in output was largely driven by broad-based moderation across segments, compounded by an unfavorable base effect.
- Manufacturing segment eased by 4.8% in January 2026, as compared to 8.4%, on annual basis. Electricity segment softened by 5.1%, as compared to 6.3%, primarily driven by a high base effect, normalization of weather conditions, and reduced seasonal demand. Mining segment also moderated by 4.3% in January 2026, compared to 6.9% primarily driven by a decline in crude oil and natural gas production.

### GST Collection

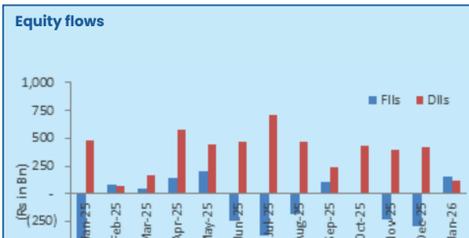


- India's GST collection remained strong in February 2026, with gross collections rising 8.1% YoY to ₹1.83 lakh crore, driven by resilient consumption and sustained tax compliance.
- The momentum was supported by robust import activity, with import-related GST growing 17.2% YoY, highlighting strong cross-border trade flows.
- On the domestic front, GST from internal transactions increased 5.3%, reflecting stable business activity.

## Market Review – February 2026

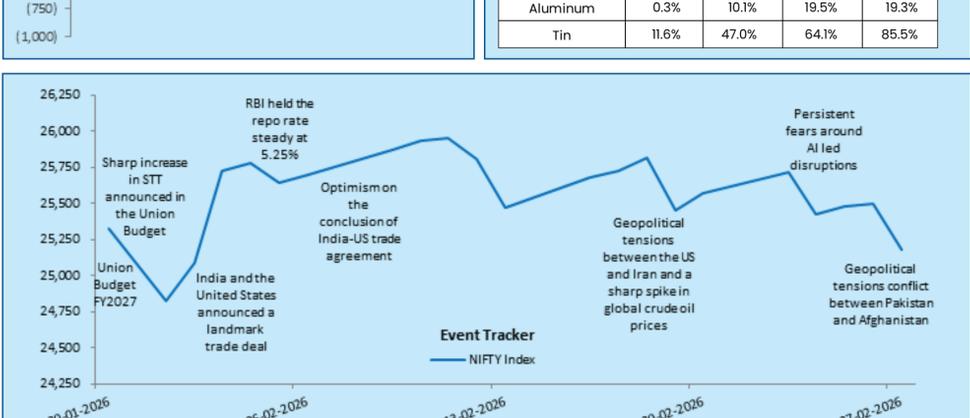


### Equity flows



### Commodity tracker

Commodity	1M	3M	6M	1Y
Gold	7.9%	24.5%	53.1%	84.7%
Silver	10.1%	66.0%	136.1%	201.1%
Crude	2.5%	14.7%	6.4%	-10.0%
Zinc	-2.8%	0.6%	16.8%	19.4%
Copper	1.7%	18.3%	35.4%	42.4%
Nickel	-0.5%	20.6%	15.7%	15.5%
Lead	-2.3%	-1.1%	-1.7%	-2.5%
Aluminum	0.3%	10.1%	19.5%	19.3%
Tin	11.6%	47.0%	64.1%	85.5%



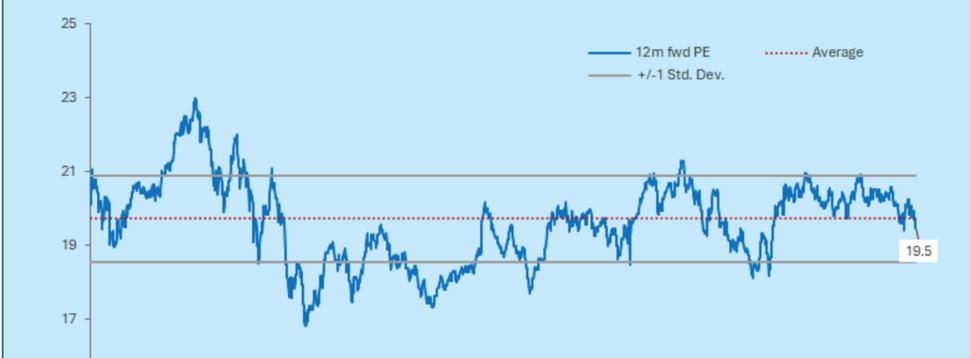
The Nifty index extended its downward trend for the third consecutive month, declining by 56basis points in February 2026. Escalating geopolitical tensions between Iran and the US, along with ongoing worries about AI driven disruption, outweighed the positive impact of better corporate earnings and improving trade relations, after India finalized a major trade deal with the EU and reached an interim trade framework with the US. Investor sentiment was further weighed down by rising crude oil prices and a weakening rupee. Nifty largely underperformed the global markets which gave average +4.8% returns with more gainers.

Market move during the month was largely influenced by:

- The government set the GFD/GDP target at 4.3% in the Union Budget 2027.
- IT stocks came under sharp pressure after AI firm Anthropic unveiled new automation tools.
- India and the United States announced a much-awaited trade agreement.
- The US Supreme Court, in a 6-3 ruling, has ruled that tariffs imposed under the International Emergency Economic Powers Act (IEEPA) are unlawful, striking down the April 2025 Executive Order that introduced broad reciprocal tariffs.
- Gold and silver rose by 7% and 8%, respectively, while the Indian rupee appreciated by 1.1%.
- FPI inflow – During the month FPIs bought ~Rs226bn, after two consecutive months of outflow. During the month, sectorally major inflows were seen in Capital Goods, Financial services, Metals, Oil & Gas and Power. On flip side major outflows were seen in IT, Consumer services, FMCG, Telecom and Consumer durables (Source: NSDL). Domestic institutions remained buyers & have bought stocks worth ~Rs.114bn during the month.

Most Global markets were mixed in terms of performance but more positive close, during the month February 2026 with average returns of ~+4.8% returns. Strong gains in South Korea (+19.5%), Thailand (+15.3%) & Taiwan (+10.5%) whereas Hong Kong (-2.8%), Indonesia (-1.1%) & US SPX (-0.9%) were the top losers.

## Nifty Valuation & Equity Outlook



With declined of 56basis during the February 2026, Nifty's valuation declined further to 19.5x on a 12-month forward earnings basis.

Near term equity market performance is expected to be driven mainly by underlying earnings growth, as valuations remain capped in a volatile macro environment. Markets continue to react sensitively to heightened geopolitical tensions, with the latest escalation in the Middle East raising risks of broader regional spillover and fuelling volatility across global assets. These developments have also contributed to higher crude prices and risk off sentiment.

At the same time, concerns around AI driven disruption remain elevated, particularly after the release of new automation tools that triggered significant corrections in global technology and software stocks.

Given this backdrop, we expect continued market consolidation and elevated volatility in the near term, with upcoming earnings season, acting as primary drivers.

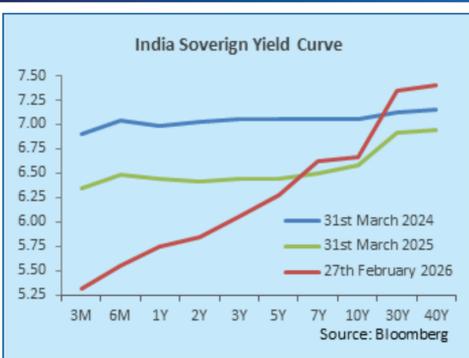
However, from a long term perspective, the structural outlook for equities remains positive. We continue to favour companies with reasonable valuations, solid earnings visibility, and stronger growth durability, while staying selective in sectors which are most exposed to disruptive technological or geopolitical risks.

## Debt outlook and positioning

### Global Macros

The Fed kept rates unchanged at 3.5%–3.75%, citing solid activity, stabilizing unemployment, and still-elevated inflation. The US 10-year Treasury yield fluctuated between 3.93% and 4.25% throughout February 2026, generally holding near the 4% level with moderate volatility. The ECB left its key policy rates unchanged at 2.00% in February 2026, citing resilient economic conditions, moderating inflation near the 2% target, and a data-dependent, meeting-by-meeting policy approach while continuing the steady wind-down of APP and PEPF reinvestments. The Bank of England kept the Bank Rate unchanged at 3.75%, expecting inflation to fall back to its 2% target by spring, while indicating that future rate cuts are likely but fully data-dependent. The Bank of Japan last met on 22–23 January 2026, where it held rates at 0.75% while upgrading growth forecasts and maintaining a cautious stance amid upcoming elections. US CPI for January 2026 rose 2.4% year-over-year and 0.2% month-over-month, signaling continued disinflation. The latest ADP National Employment Report shows US private-sector employment increased by 63,000 jobs in February 2026, with annual pay for job-stayers rising 4.5%. India's CPI inflation for January 2026 came in at 2.75% (YoY) under the new CPI base (2024=100), up from 1.33% in December 2025, the final reading under the old 2012-base series. RBI kept the repo rate unchanged at 5.25% with a Neutral stance, citing benign inflation and strong GDP growth expectations of 7.4% for FY26. Inflation was projected at 2.1% for FY26, supported by stable core inflation and resilient domestic demand. The U.S.–Iran war has pushed global crude sharply higher and raised inflation risks for India creating pressure on bond yields. Yet, India's 10-year G-sec has remained steady near 6.64%–6.75%, supported by RBI intervention and strong domestic demand even as global yields jumped on oil-led inflation fears. If elevated oil prices persist, yields could drift higher. The RBI's ₹1 lakh crore OMO purchases are expected to stabilise liquidity and cap near-term G-sec yields, even as global volatility stays elevated. The US 10 Year closed at 3.96% as on 27th Feb 2026 vs 4.24% on 30th Jan 2026. The DXY recovered modestly in February—opening at 97.23, ranging between 96.61 and 98.08, and closing at 97.61 as safe-haven demand rose amid escalating U.S.–Iran tensions and a firmer Fed tone supported the dollar.

### Debt Outlook



**Scheme G:**  
The US 10 Year closed at 3.96% as on 27th Feb 2026 vs 4.24% on 30th Jan 2026. 10-year G-Sec ranged between 6.64% and 6.77% in Feb 2026, closing at 6.67 on 27th Feb 2026. The uptick toward 6.76–6.77% was driven by heavy central/state bond supply, RBI's pause without liquidity support, and geopolitical tensions. While yields eased mid-month as markets absorbed issuance. The 10s–30s G-Sec spread held steady at 68 bps on 27 Feb 2026. The G-sec yield curve in February 2026 marginally flattened, with short-end yields firming and the 10Y easing by ~8 bps over the month. The curve remained upward-sloping with long-end yields holding near the 7.35%–7.40% range. RBI kept the repo rate unchanged at 5.25% with a Neutral stance, citing benign inflation and strong GDP growth. RBI kept the repo rate unchanged at 5.25% with a Neutral stance, citing benign inflation and strong GDP growth expectations of 7.4% for FY26.

**Scheme C:**  
Yields across the curve declined by 7–10 bps with 10y+ AAA PSU underperforming the curve. 5 Year NABARD traded at 7.27%, 10 Year NABARD at 7.38% and 15 Year at 7.45%. Strong demand persists in 3–5 year corporate bonds as investors seek the optimal mix of carry, roll-down and low duration risk. We expect 3y–5y AA and AA+ bonds to outperform, while 7y–15y AAA PSU bonds may underperform. We will look to deploy tactically to achieve optimum risk reward on the portfolio to take advantage of both capital gains and accruals. We will continue to look to add new names to diversify the portfolio.

## Performance Indicator (as on 27th February 2026)

HDFC Pension	3 years	5 years	7 years	SI
Scheme Equity (E)	16.89%	14.29%	15.24%	15.82%
Scheme Corporate Bond (C)	8.61%	7.39%	8.67%	9.90%
Scheme Government Bond (G)	7.58%	6.32%	7.90%	9.30%

If a subscriber had invested Rs.50,000 on the last day of each year since March 2014, the corpus of the subscriber as on 27th February 2026 would have been:

Asset Allocation*	Aggressive	Moderate	Conservative
Invested Amount (in Rs)	6,00,000	6,00,000	6,00,000
Corpus as on 31st January 2026 (in Rs)	14,33,310	12,99,467	11,63,328

- \* Note: Asset Allocation
- Aggressive: E-75%, C-10%, G-15%
  - Moderate: E-50%, C-30%, G-20%
  - Conservative: E-25%, C-45%, G-30%

Thus, over long term, investment with higher equity proportions tends to give better returns and helps to accumulate bigger retirement corpus for the subscribers.

