Market Outlook

HDFC Pension – Monthly update (March 2026)

Economic Overview

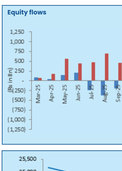
Inflation %

- Headline inflation (CPI) for February 2026 inched up further 3.2% inline with market expectation. The higher headline CPI print in the new series was largely driven by the sharp increase in precious metal prices and food costs.
- Core inflation i.e. (CPI Ex Food and Fuel) at 3.4% for February 2026 as per CPI Series 2024.
- Globally, U.S. inflation remained stable at 2.4%, & came inline with market expectations. However remains above the Federal Reserve's 2% target.

Index of Industrial Production (IIP)

- Industrial Production (IIP) growth for February 2026 came in at 5.2%, above the median market expectation of 4.2%.
- The stronger growth was partly supported by favourable base effects and seasonal factors across mining, manufacturing and electricity.
- Manufacturing output rose 6% YoY, up from 5.3% in the previous month, though performance was mixed, with 14 of 23 sub-sectors recording positive growth.
- Electricity output growth moderated to 2.3%, from 5% previously, largely due to an extended winter and lower demand.
- Mining growth slowed to 3.1% from 4.3% in the prior month, mainly reflecting lower crude oil and natural gas production.

GST Collection



- GST collections in March 2026 crossed ₹2 lakh crore, registering an ~9% YoY growth, reflecting resilient economic activity and improved compliance in the year-end.
- Import-related GST collections surged ~18% YoY, significantly outpacing domestic growth and contributing meaningfully to overall collections, supported by higher imports and improved customs efficiency.
- For FY26, gross GST collections stood at ₹22.27 lakh crore, marking 8.3% YoY growth, underscoring steady fiscal momentum through the year despite external uncertainties.

Market Review – March 2026

Index Performance:

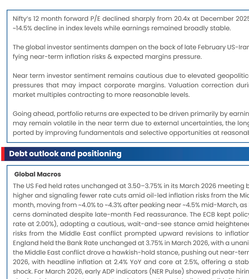
Sectoral Performance:

Equity flows

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%	-1.0%
Zinc	-2.8%	0.6%	16.8%	19.4%
Copper	1.7%	18.3%	35.4%	42.4%
Nickel	-0.5%	20.6%	19.7%	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%



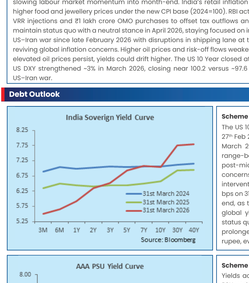
Indian equity markets in March 2026 were marked by heightened global uncertainty on account of escalation of US-Iran conflict, sharp volatility in crude oil prices rising from US$70.8/bbl in February to US$118/bbl by March-end, and continued FPI outflows.

The Nifty index extended its downward trend for the 4th consecutive month, declining by ~11.3% single month in March 2026. Investor sentiment was further weighed down by rising crude oil prices and a weakening rupee.

Market move during the month was largely influenced by:

- The Government of India issued a Natural Gas Control Order on March 9 under the Essential Commodities Act to prioritise gas supply amid disruptions caused by the closure of the Strait of Hormuz.
- The government reduced excise duty on petrol to Rs.3/litre (from Rs.13/litre) and cut excise duty on diesel to nil (from Rs.10/litre) to cushion the impact of elevated energy prices.
- S&P Global raised India's FY27 GDP growth forecast to 7.1%, from its earlier estimate of 6.7%, reflecting confidence in medium-term growth prospects.
- The US Federal Reserve maintained policy rates unchanged at 3.5%–3.75%, signalling a pause amid evolving global conditions.
- IEA member countries agreed to release 400 million barrels of crude oil from strategic reserves to mitigate supply disruptions arising from the Middle East conflict.
- The state of Karnataka announced the rollout of an Alcohol-in-Beverage (AIB)–based excise duty system from April 2026.
- FPI inflow – During the month FPIs sold ~Rs1,78bn, one of the highest equity outflow. During the month, sectorally major outflows were seen Financial services, Autos, Construction, Telecoms and FMCG. On flip side only Capital goods saw inflow during the month (Source: NSDL). Domestic institutions remained buyers & have bought stocks worth ~Rs.889bn during the month.

Most Global markets closed negative during the month March 2026 with average returns of ~-8%. Indian markets (-11.3%) were among the global underperformers, alongside South Korea (-15.5%), Indonesia (-13.9%) and Japan (-11.8%).



Nifty's 12 month forward P/E declined sharply from 20.4x at December 2025 end to 16.9x as of March 31, 2026, driven primarily by a ~14.5% decline in index levels while earnings remained broadly stable.

The global investor sentiments dampen on the back of late February US-Iran conflict & resulting crude prices above $100 and amplifying near-term inflation risks & expected margins pressure.

Near term investor sentiment remains cautious due to elevated geopolitical risks, higher crude prices and associated inflationary pressures that may impact corporate margins. Valuation correction during the quarter has reduced excess froth, with forward market multiples contracting to more reasonable levels.

Going ahead, portfolio returns are expected to be driven primarily by earnings growth rather than valuation re-rating. While markets may remain volatile in the near term due to external uncertainties, the long term outlook for Indian equities remains positive, supported by improving fundamentals and selective opportunities at reasonable valuations.

Debt outlook and positioning

Global Macros

The US Fed held rates unchanged at 3.50–3.75% in its March 2026 meeting but delivered a hawkish hold, revising inflation forecasts higher and signalling fewer rate cuts amid oil-led inflation risks from the Middle East. US 10-yr Treasury yields rose ~30 bps over the month, moving from ~4.0% to ~4.3% after peaking near ~4.5% mid-March, as hawkish Fed repricing and energy-driven inflation concerns dominated despite late-month Fed reassurance. The ECB kept policy rates unchanged in its March 2026 meeting (deposit rate at 2.00%), adopting a cautious, wait-and-see stance amid heightened uncertainty. While inflation is near target, energy-led risks from the Middle East conflict prompted upward revisions to inflation forecasts and lower growth projections. The Bank of England held the Bank Rate unchanged at 3.75% in March 2026, with a unanimous MPC vote. Oil- and energy-led inflation risks from the Middle East conflict drove a hawkish-hold stance, pushing out near-term rate-cut expectations. US CPI held steady in February 2026, with headline inflation at 2.4% YoY and core at 2.5%, offering a stable print but largely predating the recent energy-price shock. For March 2026, early ADP indicators (NER Pulse) showed private hiring running at ~10,000 jobs per week, signaling a soft and slowing labour market momentum into month-end. India's retail inflation edged up to 3.21% in February 2026, driven mainly by higher food and jewellery prices under the new CPI base (2024=100). RBI actively managed March-end liquidity via ~₹2.7 lakh crore VRR injections and ₹1 lakh crore OMO purchases to offset tax outflows and FX intervention-led tightening. We expect the RBI to maintain status quo with a neutral stance in April 2026, staying focused on inflation risks amid elevated global oil uncertainties. The US–Iran war since late February 2026 with disruptions in shipping lane at the Strait of Hormuz, driving crude above $100/bbl and reviving global inflation concerns. Higher oil prices and risk-off flows weakened the rupee and lifted the 10-year G-sec above 7%. If elevated oil prices persist, yields could drift higher. The US 10 Year closed at 4.32% as on 31st March 2026 vs 3.96% on 27th Feb 2026. US DXY strengthened ~3% in March 2026, closing near 100.2 versus ~97.6 at end-Feb driven by safe-haven demand amid the US–Iran war.

Debt Outlook

Scheme G:

The US 10 Year closed at 4.32% as on 31st March 2026 vs 3.96% on 27th Feb 2026. 10-year G-Sec ranged between 6.66% and 7.04% in March 2026, closing at 7.04% on 31st March 2026. Yields were range-bound early March, then re-priced sharply higher post-mid-month on global yield spillovers, crude-led inflation concerns, and heavy supply from SDL, and no meaningful RBI interventions via OMOs. The 10y–30y G-Sec spread increased to 71 bps on 31st March 2026. The curve bear-steepened, led by the long end, as term-premium expanded on elevated crude prices, and global yield spillovers. While we expect the RBI to maintain a status quo on rates, it may face a policy dilemma if the conflict is prolonged, as this could lead to higher inflation and a weaker rupee, even as growth risks increase.

Scheme C:

Yields across the curve increased by 30–55 bps with 10y+ AAA PSU underperforming the curve. 5 Year NABARD traded at 7.58%, 10 Year NABARD at 7.68% and 15 Year at 7.71%. We expect 3y–5y segment bonds to outperform as investors seek the optimal mix of carry, roll-down and duration risk. We aim to increase exposure in quality AA and AA+ credits and increase exposure in expanded universe (Invit's, AIF). 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 31st March 2026)

HDFC Pension	3 years	5 years	7 years	SI
Scheme Equity (E)	12.22%	11.44%	12.15%	15.22%
Scheme Corporate Bond (C)	8.04%	6.88%	8.14%	10.19%
Scheme Government Bond (G)	6.15%	5.45%	7.20%	9.41%

If a subscriber had invested ₹50,000 on the last day of each year since March 2014, the corpus of the subscriber as on 31st March 2026 would have been:

Asset Allocation*	Aggressive	Moderate	Conservative
Invested Amount (in Rs)	6,50,000	6,50,000	6,50,000
Corpus as on 31stJanuary 2026(in Rs)	13,47,814	12,54,842	11,58,772

* Note: Asset Allocation

1. Aggressive: E- 75%; C - 10%; G- 15%
2. Moderate: E-50%; C- 30%; G- 20%
3. 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.

HDFC PENSION

HDFC Life offers a wide range of insurance solutions, including Individual & Group Plans. Group Insurance Plans are available for Term, Health & Retirement solutions. Returns under NPS are subject to market risk and fluctuations based on the state of the financial market. Tax Laws are subject to change.

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