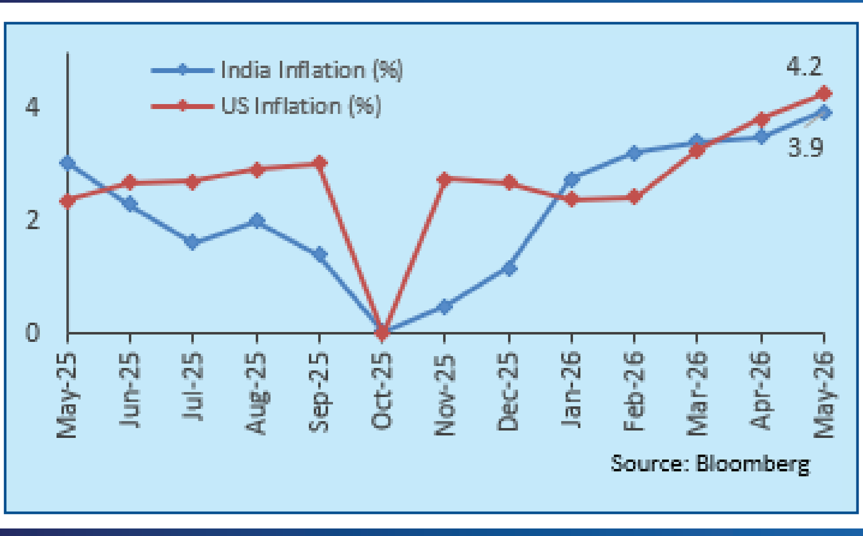
Market Outlook

HDFC Pension – Monthly update (June 2026)

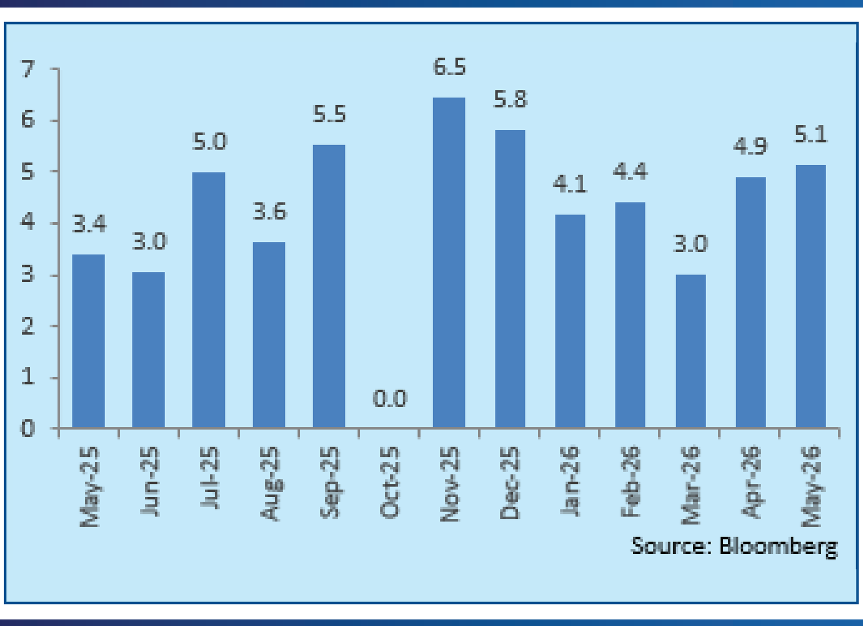
Economic Overview

Inflation %



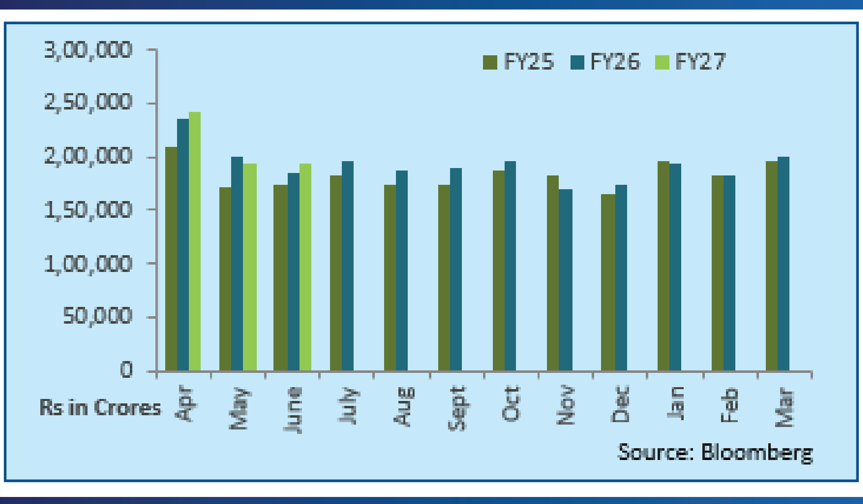
- CPI inflation increased to 3.9% in May 2026 from 3.5% in April, led by higher food and fuel prices.
- Core inflation also edged up to 3.9%, reflecting a gradual rise in underlying price pressures.
- While inflation remains within the RBI's tolerance band, geopolitical developments and commodity prices remain key monitorables.
- Globally, U.S. inflation firmed up 10bps at 3.9% in May 2026 as against April 2026, driven mainly by higher energy prices amid geopolitical tensions in the Middle East.

Index of Industrial Production (IIP)



- Index of Industrial Production (IIP) growth improved to 5.1% in May 2026 compared to 4.9% in April 2026, reflecting continued resilience in economic activity.
- Growth was supported by strong electricity generation and sustained manufacturing activity. Electricity output expanded by 9.9% owing to higher seasonal power demand, while manufacturing growth remained healthy at 5.5%.
- Mining segment saw a negative growth of 1.6 per cent in May 2026, compared to negative growth of 3.72 per cent observed in the previous month.
- Capital goods production grew by 12.9%, indicating continued investment activity and healthy capex momentum in the economy.

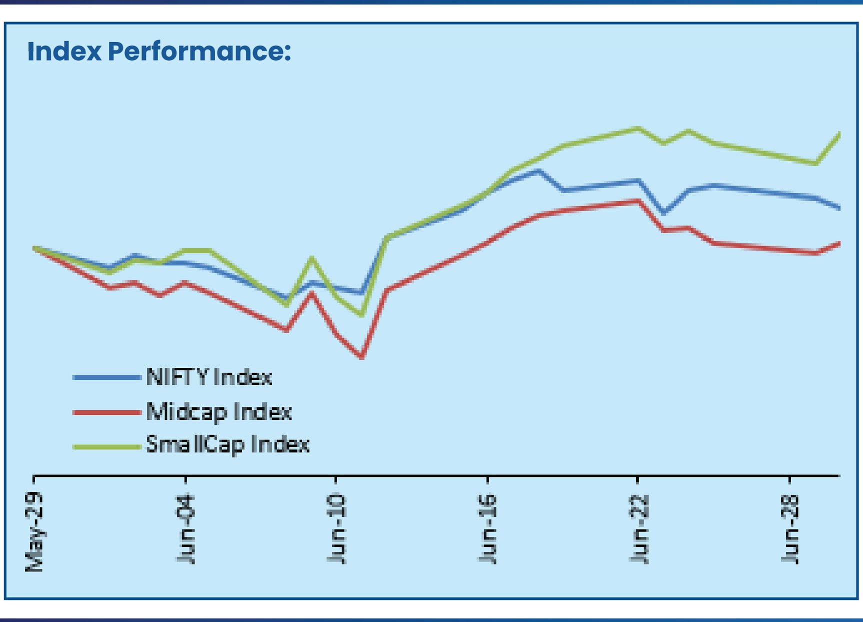
GST Collection



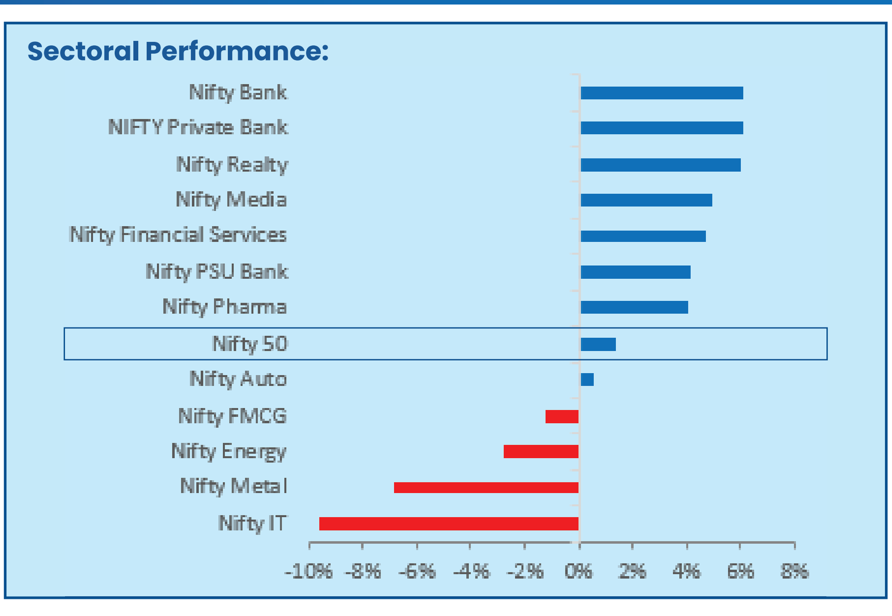
- Gross GST collections remained robust at Rs.1.95 lakh crore in June 2026, registering a growth of 13.9% YoY.
- The improvement was primarily driven by strong import-related GST collections, while domestic GST revenues grew 6.5% during the month.
- The healthy growth in tax collections continues to reflect resilient economic activity and improving compliance levels.

Market Review – May 2026

Index Performance:

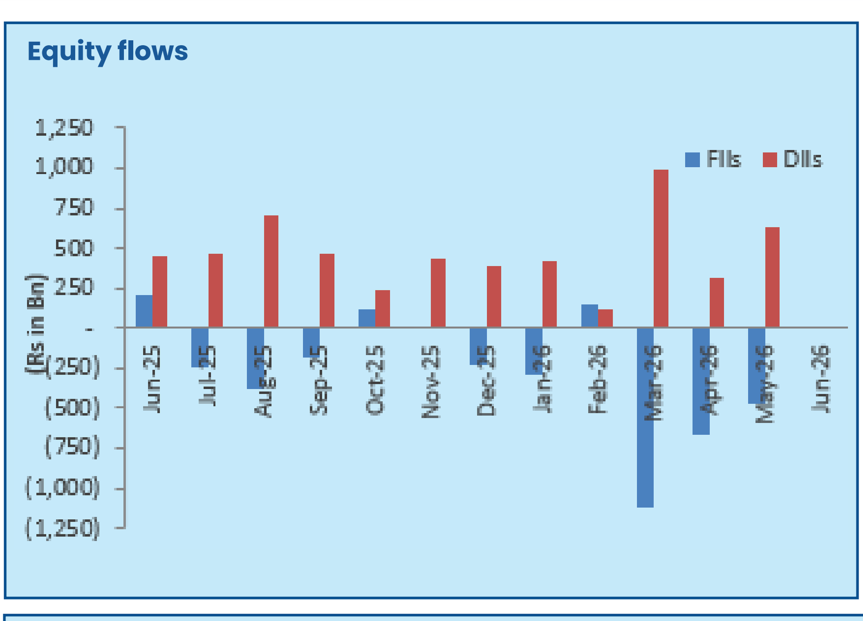


Sectoral Performance:



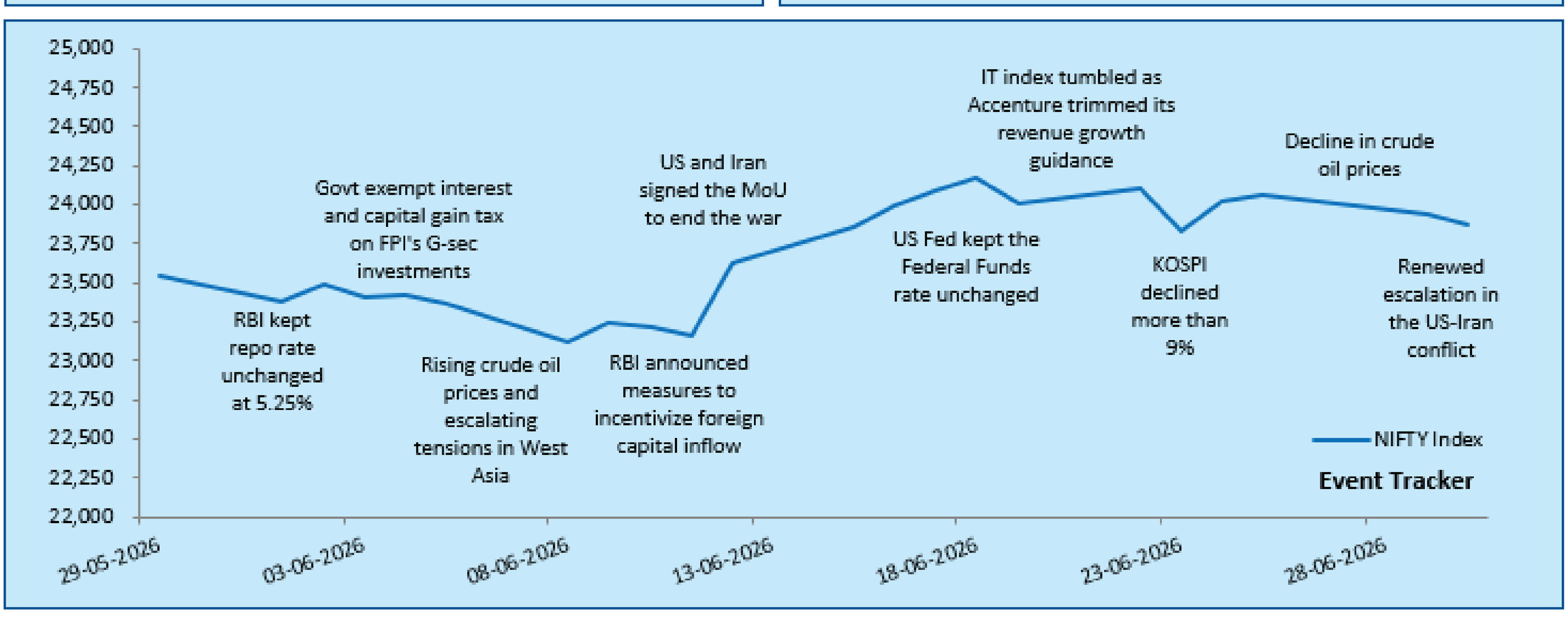
Equity flows

Equity flows



Commodity tracker

Commodity	1M	3M	6M	1Y
Gold	-11.72%	-14.14%	-7.21%	21.34%
Silver	-22.18%	-22.04%	-18.23%	62.28%
Crude	-20.78%	-38.39%	19.84%	7.85%
Zinc	1.58%	10.98%	15.97%	30.37%
Copper	-1.84%	8.91%	7.19%	32.82%
Nickel	-14.73%	-4.89%	-2.50%	7.12%
Lead	-8.48%	-1.85%	-6.62%	-8.92%
Aluminum	-18.52%	-12.82%	3.43%	18.23%
Tin	-7.35%	9.75%	25.93%	51.20%



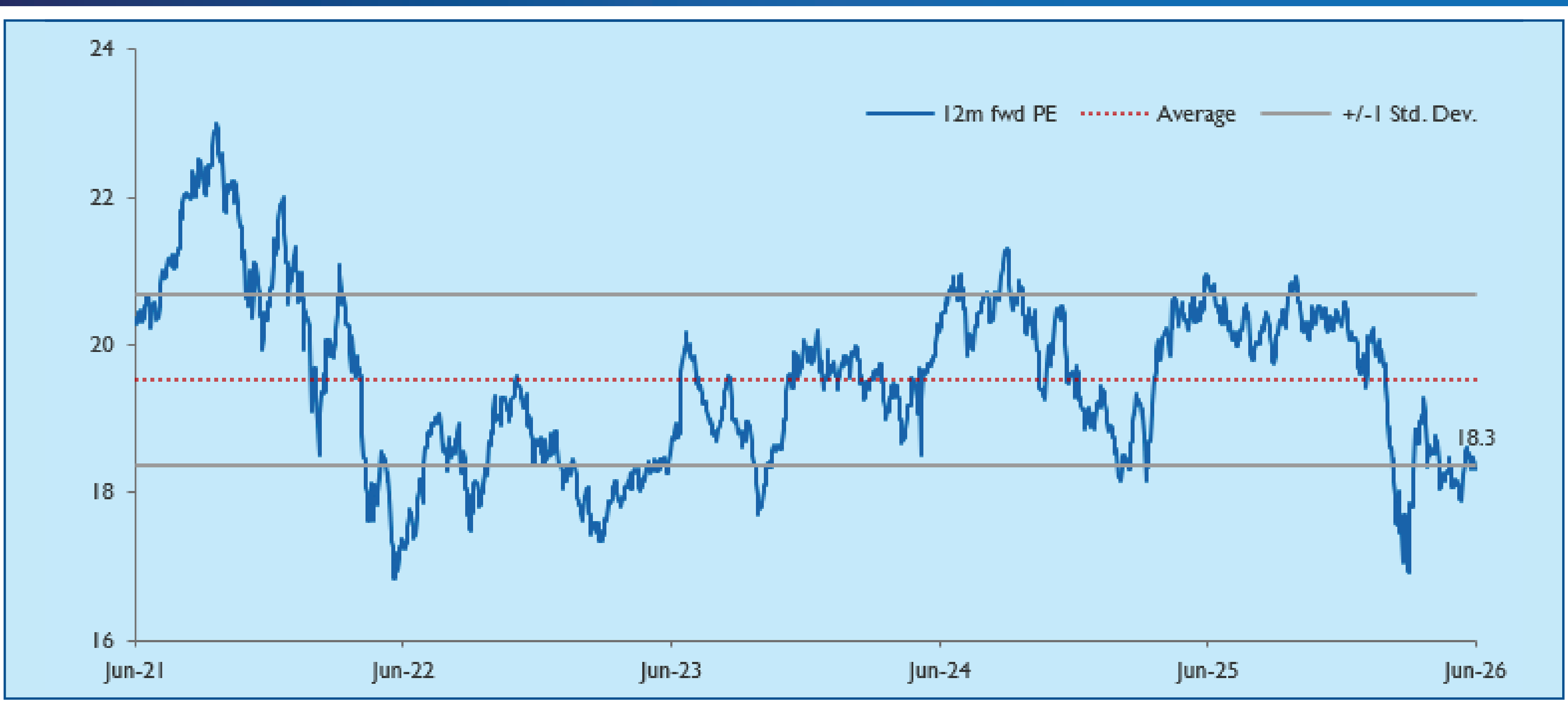
The Nifty gained 1.4% in June 2026, supported by easing geopolitical tensions and a sharp decline in Brent crude oil prices from US$93.4/bbl to US$71.5/bbl during the month. While mid-cap stocks remained largely unchanged, small-cap stocks outperformed, delivering returns of 4%.

Market movements during the month were largely influenced by the following factors:

- **Foreign capital reforms:** The Government announced a series of measures to attract long-term foreign capital, including the removal of withholding tax on interest income and capital gains tax on FPI investments in Government Securities.
- **RBI measures:** The RBI introduced additional steps to encourage foreign capital inflows and enhance market participation.
- **Monetary policy:** The RBI Monetary Policy Committee unanimously retained the policy repo rate at 5.25% and maintained its neutral stance.
- **US monetary policy:** The US Federal Reserve kept the Federal Funds Rate unchanged at 3.50%-3.75% for the fourth consecutive meeting, in line with market expectations.
- **Geopolitical developments:** While the US and Iran signed a memorandum of understanding aimed at ending hostilities, renewed attacks in the Middle East revived concerns over a potential escalation in regional tensions.
- **Global IT outlook:** Accenture lowered its revenue growth guidance and highlighted weak demand visibility, raising concerns over global IT spending.
- **Market flows:**
  - Foreign Portfolio Investors (FPIs) remained net sellers for 4th consecutive month, with outflows of approximately Rs.493 billion during the month,
  - Sectorally, major FPI outflows were observed in Oil & Gas, Automobiles, Metals, IT and Power. In contrast Financial Services, Services, Construction, Consumer Durables and Consumer services witnessed net inflows (Source: NSDL).
  - Domestic institutional investors remained supportive, purchasing equities worth approximately Rs.502 billion during the month.

Global markets delivered mixed performance during June 2026. Among major markets, Japan, the Philippines and Taiwan were the top performers, gaining 6%, 5% and 3%, respectively. In contrast, Hong Kong, Indonesia and the US S&P 500 index declined 9%, 8% and 2%, respectively.

Nifty Valuation & Equity Outlook



Nifty's valuation improved marginally from 18.1x at May 2026 end to 18.3x by June 2026, driven by a ~1.4% increase in the index while earnings expectations remained broadly stable.

Investor sentiment improved during the month, supported by easing geopolitical tensions, benign domestic macroeconomic conditions and sustained liquidity flows. However, caution persists due to uncertainty around global developments, commodity price volatility, evolving inflationary pressures and margin risks across sectors.

Market valuations have moderated from earlier peaks and remain broadly reasonable relative to long-term growth prospects.

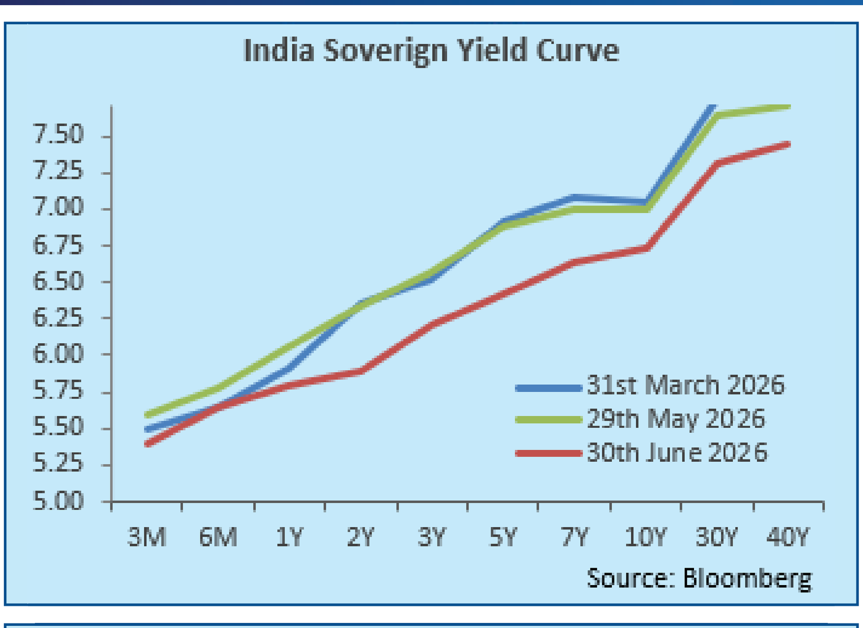
Going forward, Indian equities may experience intermittent volatility due to external uncertainties; however, the medium- to long-term outlook remains constructive, supported by resilient economic growth, improving corporate earnings trajectory, continued domestic investor participation and opportunities for disciplined stock selection at reasonable valuations.

Debt outlook and positioning

Global Macros

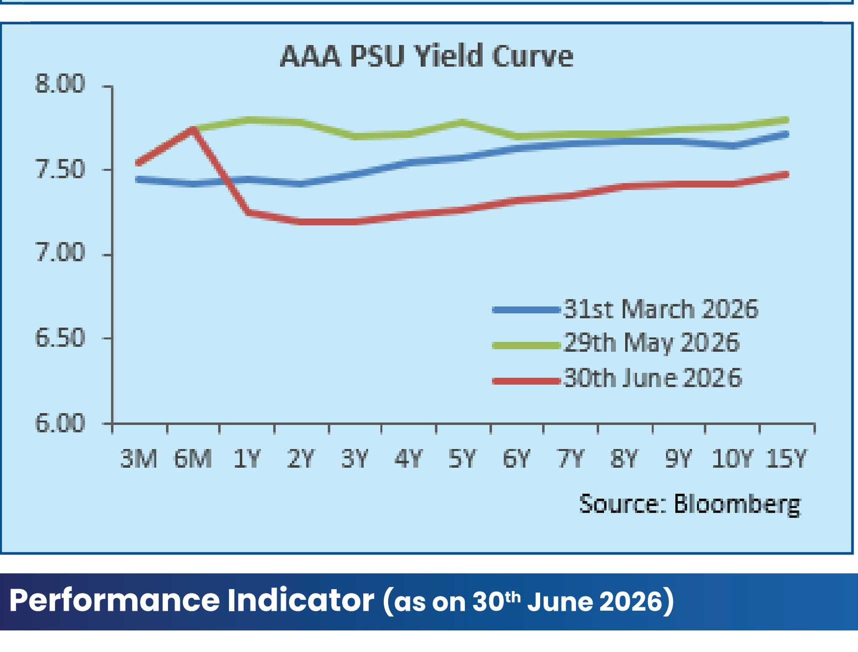
US Fed maintained rates unchanged at 3.50–3.75% in its June 2026 meeting, citing resilient economic activity and persistent inflationary pressures. Updated projections turned more hawkish, with policymakers signaling a possibility of rate hikes later in 2026 amid elevated inflation expectations. US 10-year Treasury yield remained broadly range-bound during June 2026, trading between 4.36% and 4.58% before closing the month near 4.46%, as hawkish Fed communication was largely offset by safe-haven demand amid geopolitical uncertainties. The ECB hiked rates by 25 bps and adopted a hawkish stance as energy-driven inflation risks outweighed concerns over weaker economic growth. The BOE kept the Bank Rate unchanged at 3.75%, while maintaining a cautious stance amid persistent inflation risks linked to elevated energy price. US-Iran tensions eased toward end-June 2026 as both sides agreed to halt recent hostilities and resume diplomatic talks, supporting the reopening of the Strait of Hormuz and improving global risk sentiment. US headline CPI accelerated to 4.2% YoY in May 2026, driven largely by higher energy prices, while core inflation remained relatively contained at 2.9% YoY. US ADP employment increased by 98,000 in June, below expectations and lower than May's 122,000, indicating a moderation in labor market momentum. India's CPI inflation increased to 3.93% YoY in May 2026 from 3.48% in April, driven by higher food and fuel prices. Food inflation accelerated to 4.78%, while remaining broadly aligned with the RBI's inflation target. RBI maintained the repo rate at 5.25% and retained a neutral stance, while revising FY27 GDP growth lower to 6.6% and raising the inflation forecast to 5.1% amid elevated global uncertainties. The RBI also announced measures to support liquidity and enhance capital flows through FCNR(B) and ECB-related relaxations. Brent crude eased to around US$73/bbl by end-June 2026, close to pre-conflict levels, as improving US-Iran relations and the gradual reopening of the Strait of Hormuz alleviated supply concerns. US 10-year Treasury yields, after rising from around 4.36% at the start of the month to a peak of 4.56% amid geopolitical tensions, moderated to 4.46% by month-end as inflation concerns eased and energy-related risk premiums receded. The US 10 Year closed at 4.46% as on 30th June 2026 vs 4.45% on 29th May 2026.DXY appreciated during June, trading between 99.2 and 101.6 before closing near 101.2, supported by hawkish Fed expectations and resilient US economic data.

Debt Outlook



Scheme G:

The US 10 Year closed at 4.46% as on 30th June 2026 vs 4.45% on 29th May 2026. 10-year G-Sec ranged between 6.65% and 7.00% in June 2026, closing at 6.73% on 30th June 2026. Government bond yields softened across the curve during the month, supported by improving liquidity conditions and easing risk sentiment. Improved liquidity conditions and demand for duration further supported long-end bonds. The spread between 10-year and 30-year G-Sec yields moderated to 58 bps from 64 bps, indicating relative outperformance of the long end bonds. RBI maintained the repo rate at 5.25% and a neutral stance in June 2026, while announcing FCNR(B), ECB, and FAR-related measures to support foreign currency inflows and external liquidity.



Scheme C:

The corporate bond yield curve steepened during June 2026, as short-to-medium tenor AAA PSU bonds outperformed, while select 10-15-year AAA PSU bonds also delivered strong risk-adjusted returns driven by carry and valuation support. 5 Year NABARD traded at 7.25%, 10 Year NABARD at 7.43% and 15 Year at 7.48%. We remain constructive on the 3–5year segment and will selectively add high-quality AA/AA+ credits and new issuers to enhance portfolio yield, improve diversification, and optimize risk-adjusted returns through a combination of accrual income and capital appreciation.

Performance Indicator (as on 30th June 2026)

HDFC Pension	3 years	5 years	7 years	SI
Scheme Equity (E)	11.26%	11.41%	13.13%	13.87%
Scheme Corporate Bond (C)	8.18%	7.12%	8.11%	9.10%
Scheme Government Bond (G)	7.00%	6.28%	7.02%	8.59%

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 30th June 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 30th June 2026 (in Rs)	14,46,095	13,32,985	12,17,750

* 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.

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