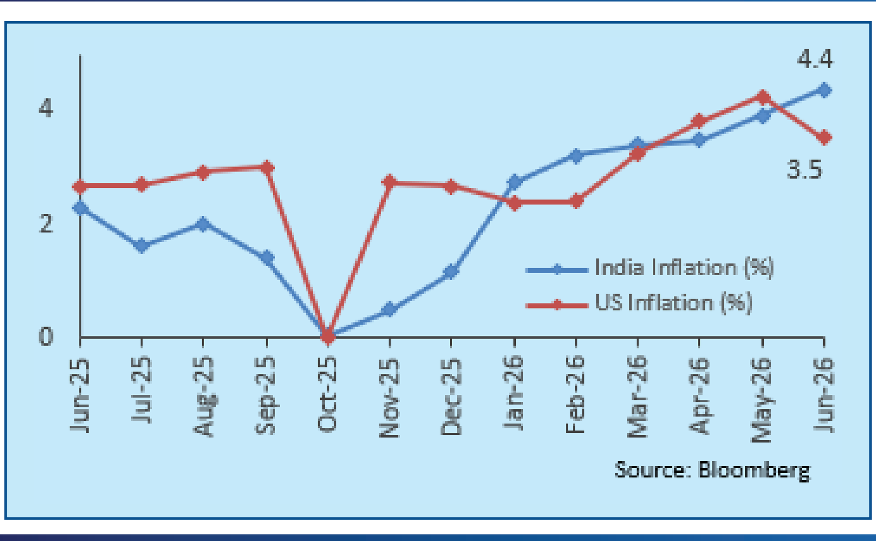
Market Outlook

HDFC Pension – Monthly update (July 2026)

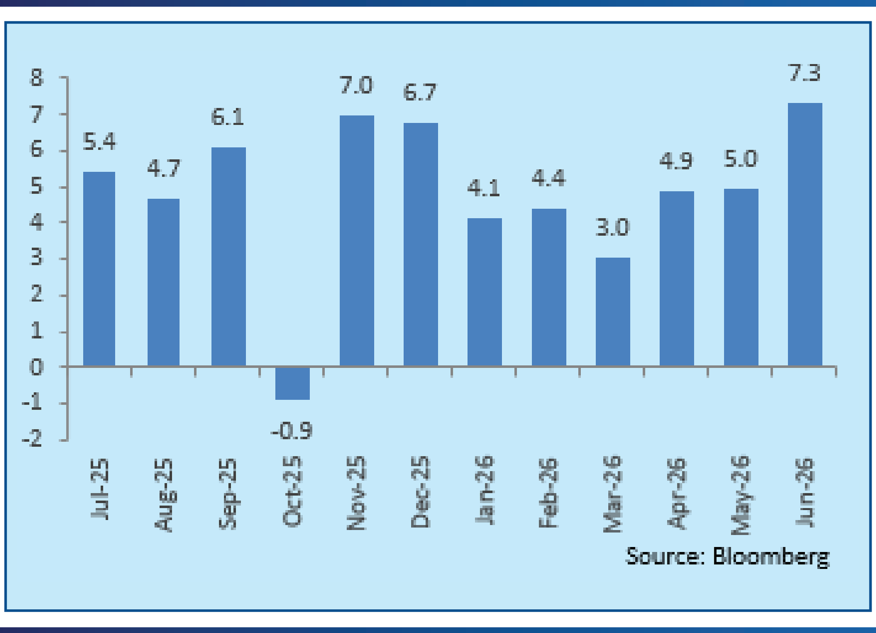
Economic Overview

Inflation %



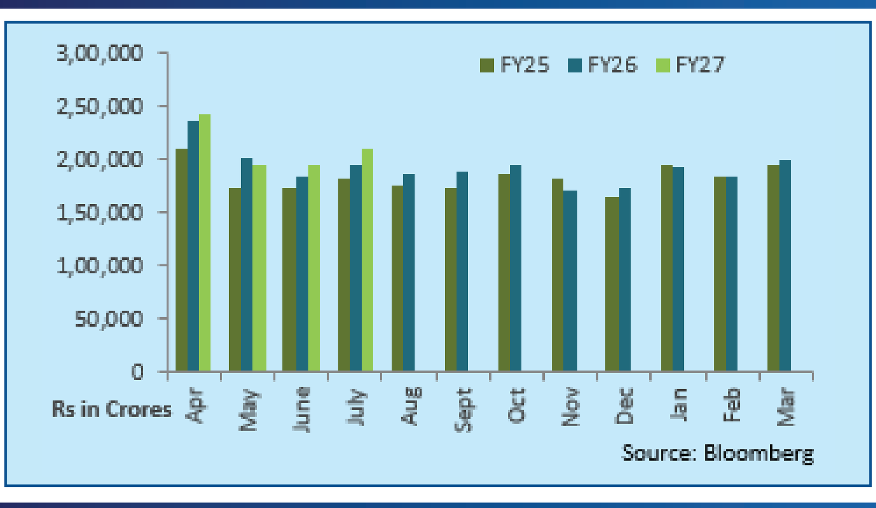
- Headline CPI rose to 4.4% in June 2026 from 3.9% in May, breaching the RBI's 4% target for the first time in 17 months.
- The increase was led by higher food inflation at 5.1% and a further rise in core inflation to 4.2%.
- Price pressures were driven by elevated vegetable prices and sustained cost pass-through in services such as restaurants and accommodation.
- Brent crude moderated ~23% during June, offering partial relief.

Index of Industrial Production (IIP)



- IIP growth accelerated sharply to 7.3% in June 2026, compared to 5% in May.
- Manufacturing grew 7.8%, with 20 of 24 industries recording positive growth. Capital goods rose strongly at 14.2%, indicating robust investment momentum.
- Electricity output increased 10.6%, while mining reverted to positive territory at 1%.
- Domestic activity remains resilient, though uneven monsoon patterns and rising inflation could weigh on growth in coming months.

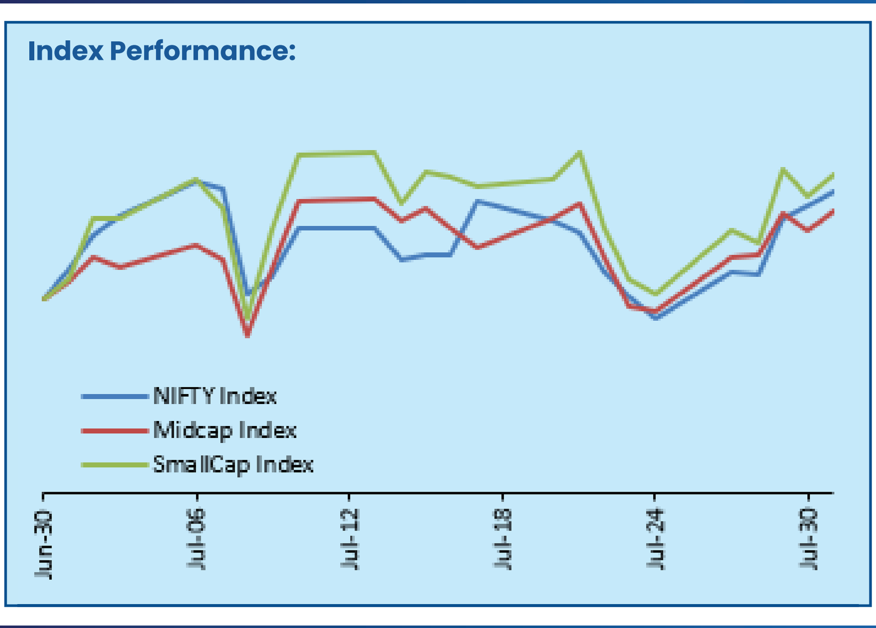
GST Collection



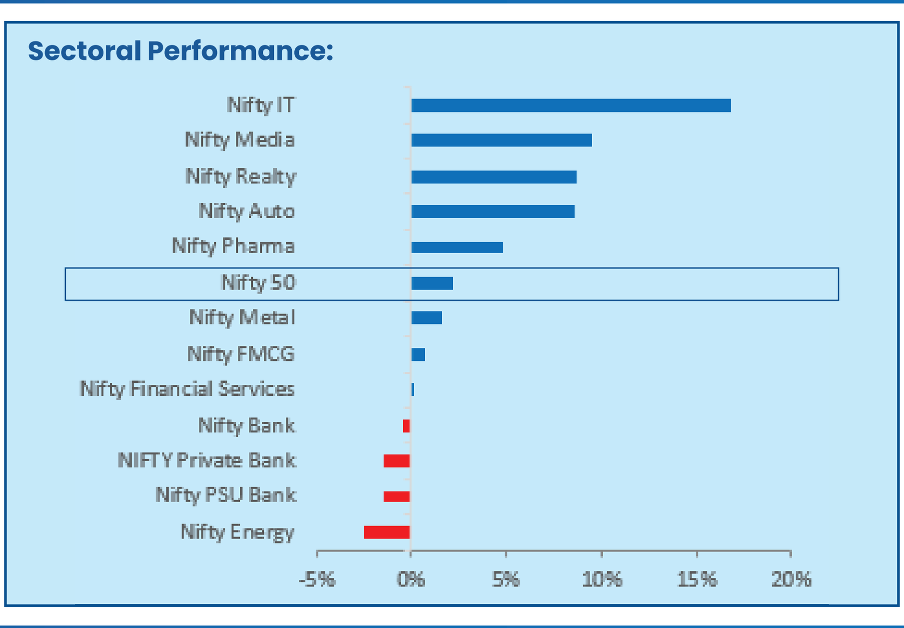
- Gross GST collections rose to ₹2.11 lakh crore in July 2026, marking a robust 15.4% YoY increase, supported by strong growth in both domestic revenues and import GST.
- Domestic GST revenue grew 10.1% YoY to ₹1.45 lakh crore, reflecting resilient consumption and continued improvement in compliance.
- Import-related GST surged 28.8% YoY, aided by firm goods demand and higher import activity. Net GST revenue stood at ₹1.81 lakh crore, up 15.8% YoY, underscoring healthy fiscal momentum in the early part of FY27.

Market Review – July 2026

Index Performance:

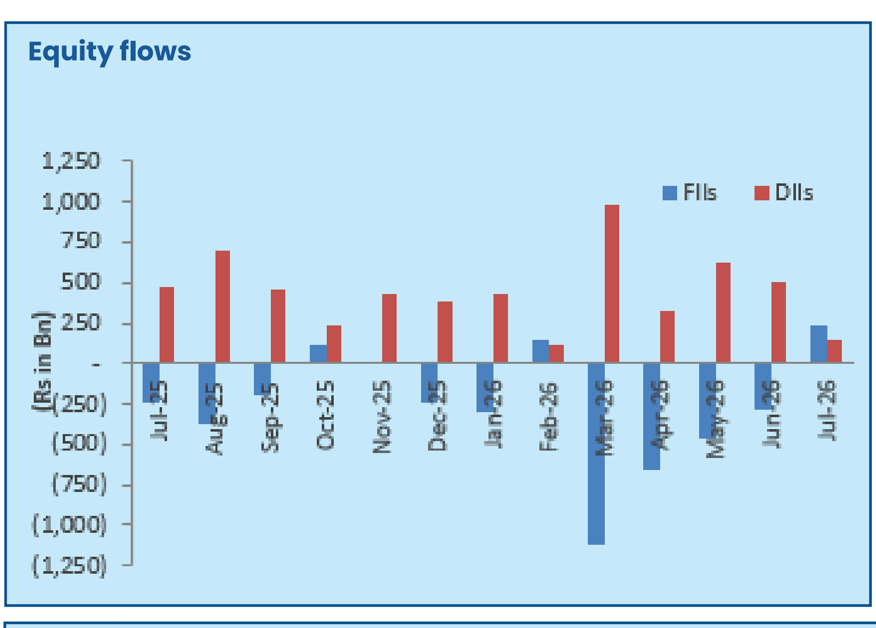


Sectoral Performance:



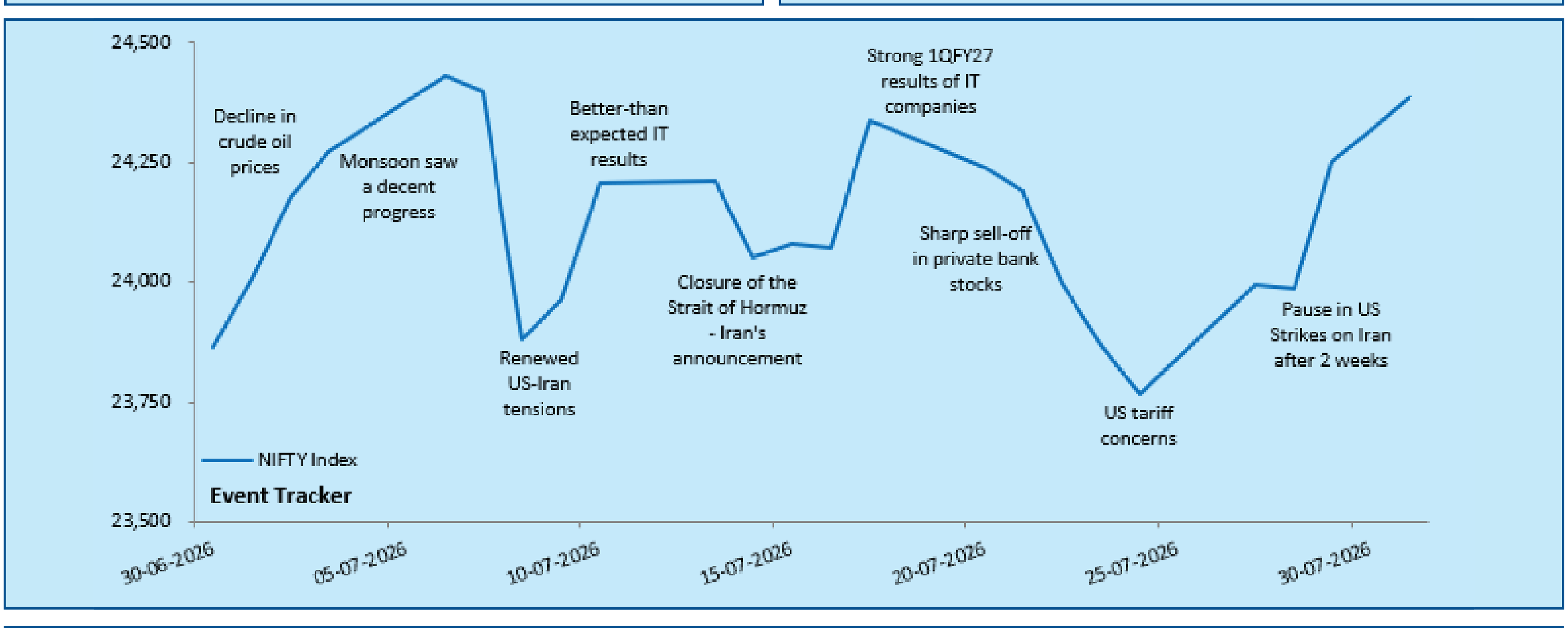
Equity flows

Equity flows



Commodity tracker

Commodity	1M	3M	6M	1Y
Gold	0.95%	-12.38%	-17.33%	22.99%
Silver	-1.71%	-21.90%	-32.40%	56.88%
Crude	23.59%	-20.95%	27.49%	24.25%
Zinc	3.77%	10.38%	9.28%	34.67%
Copper	3.65%	7.16%	5.88%	44.72%
Nickel	6.07%	-11.51%	-3.77%	15.80%
Lead	-0.22%	-5.60%	-6.61%	-4.99%
Aluminum	4.78%	-8.88%	3.19%	25.54%
Tin	7.34%	12.02%	6.19%	68.01%



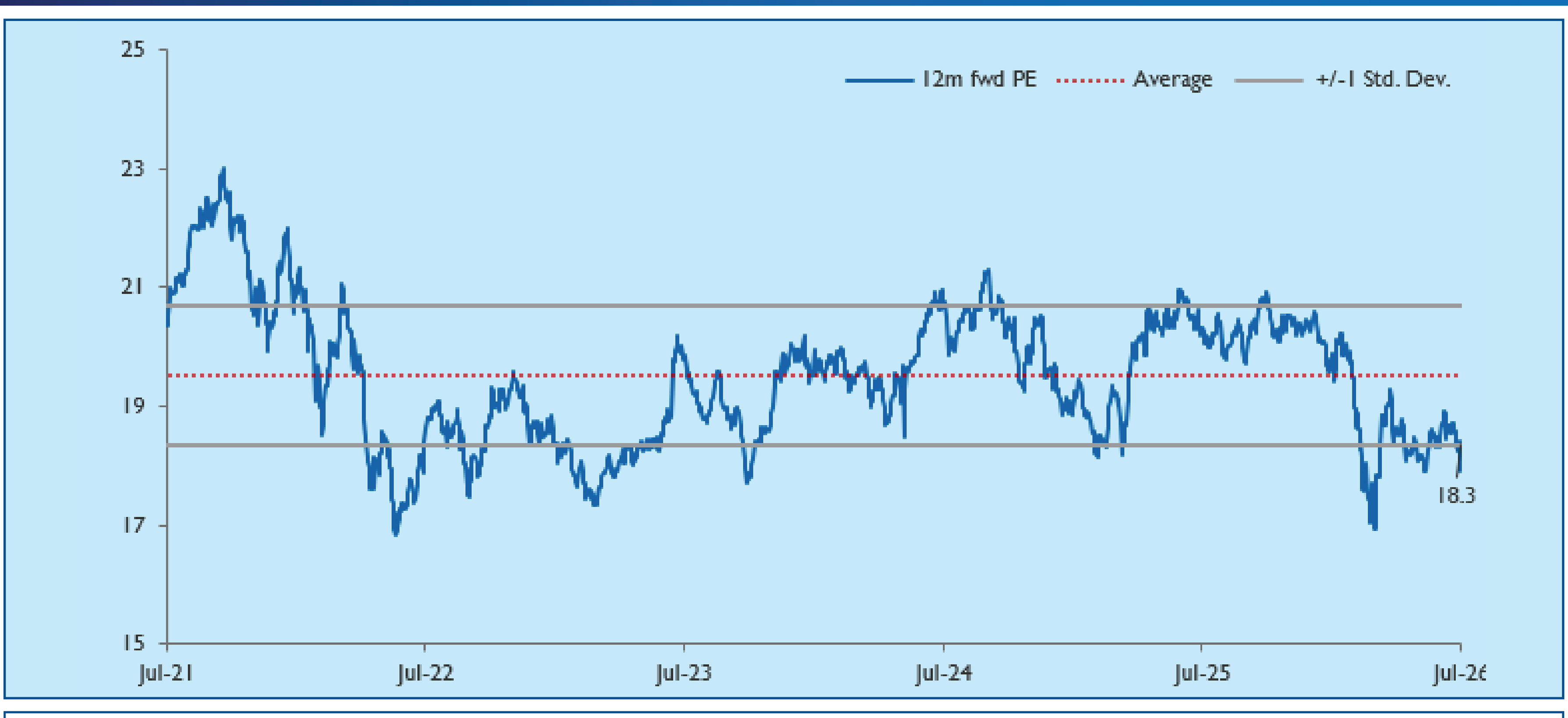
Nifty ended July 2026 month, with modest gains, supported by favourable Q1FY26 earnings, improved global sentiment mid-month and ongoing domestic liquidity support. The Nifty gained ~2%, while the Midcap and Smallcap indices rose 1.8% and 2.5%, respectively. Having said that, Volatility persisted through the month driven by swings in crude prices and US–Iran tensions.

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

- **Crude oil volatility:** Brent surged to US$96.2/bbl from US$71.5/bbl due to renewed US–Iran tensions.
- **Global trade:** The US announced new Section 301 tariffs; India's tariff rate remained unchanged at 10%.
- **Monetary policy:** US Fed kept interest rates unchanged at 3.75%, similarly Bank of England, Bank of Japan and ECB kept their benchmark policy rates unchanged.
- Q1FY27 Corporate earnings season
- **Market flows:**
  - Foreign Portfolio Investors (FPIs) after 4 consecutive months of selling, turned net buyer during the month July 2026, with inflows of approximately Rs.202 billion during the month.
  - Sectorally, major FPI inflows were observed in Consumer services, Healthcare, Consumer durables, Metals & IT. In contrast Capital goods, Telecom, Autos, Power & Construction witnessed net outflows. (Source: NSDL).
  - Domestic institutional investors remained supportive, purchasing equities worth approximately Rs.152 billion during the month.

Global markets were mixed in July 2026 where, Hong Kong (+13%), Indonesia (+11%) & Singapore (+9%) were top performers. In contrast South Korea (-22%), Japan (-8%) & Taiwan (-6.5%) were weakest. Weakness in Northeast Asian markets was driven by sell-offs in semiconductor/AI names amid competitive pressures.

Nifty Valuation & Equity Outlook



Nifty's valuation held steady at 18.3x as of July 2026 month-end, broadly unchanged from June levels, supported by a ~2% rise in both the index and forward earnings estimates.

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.

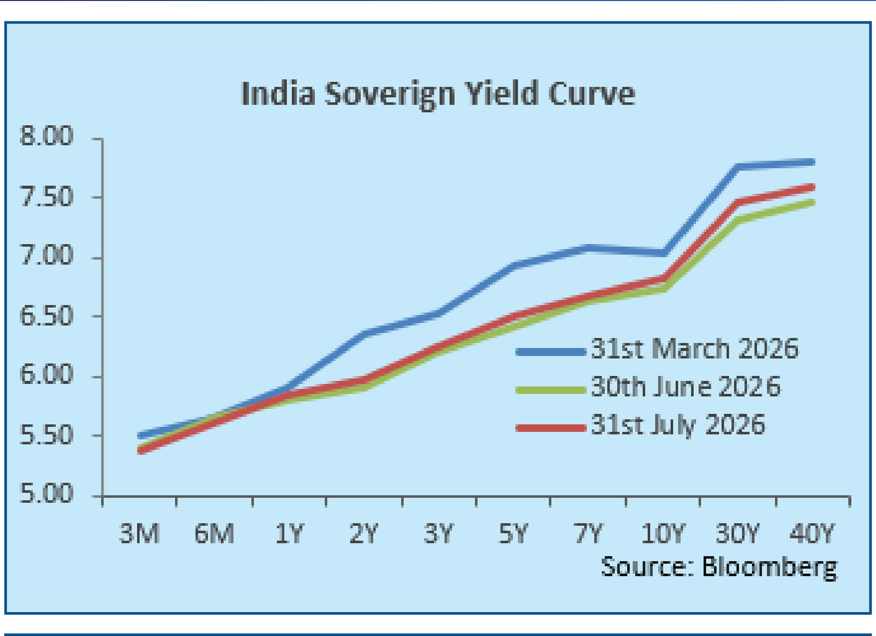
Going forward, Indian equities may experience intermittent volatility due to external uncertainties; however, the medium- to long-term outlook remains constructive, supported by resilient economic growth, improving corporate earnings trajectory, continued domestic investor participation and opportunities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

Debt outlook and positioning

Global Macros

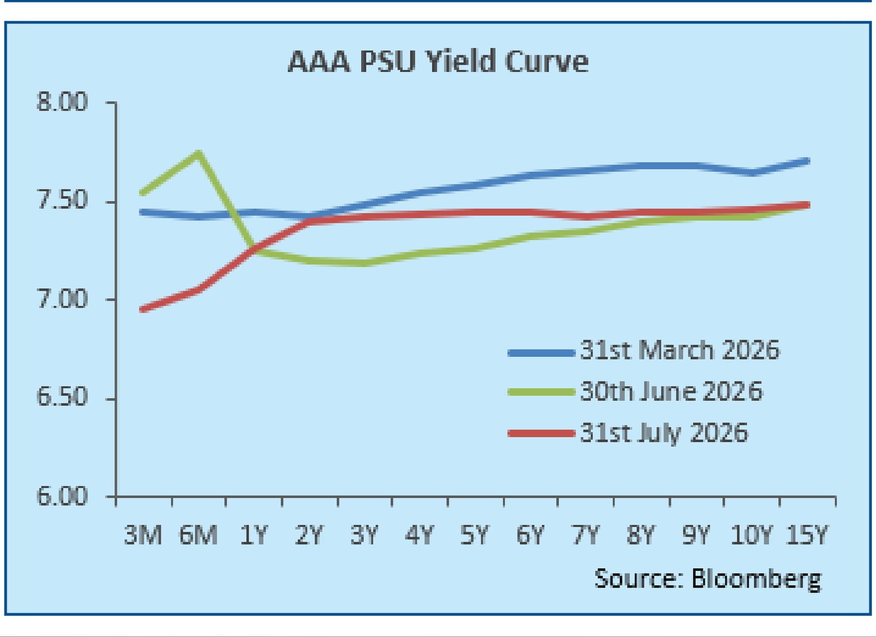
The US Federal Reserve kept rates unchanged at 3.50–3.75 percent, with three policymakers dissenting in favour of a 25 bps hike, reflecting growing internal hawkishness. US 10-year yields climbed steadily through July 2026, hitting a month-end peak of 4.747 percent after trading in a 4.45–4.75 percent range, reflecting firm global rate sentiment. The ECB left key rates unchanged maintaining a data-dependent stance amid volatile energy prices. It noted that the inflation impact of the energy shock remains uncertain, requiring close monitoring of second-round effects. The BoE kept the Bank Rate unchanged at 3.75 percent in a 6–3 vote, warning that elevated and volatile energy prices from the Middle East conflict could push inflation higher later in 2026 despite CPI easing to 2.6 percent. US–Iran tensions escalated in late July 2026 as joint US–Saudi strikes hit Iran-backed militias across Iraq, while Iran responded with missile and drone attacks on US. US inflation eased sharply in June 2026, with headline CPI falling 0.4 percent MoM to 3.5 percent YoY, while core inflation held steady at 2.6 percent, supported by a steep decline in energy prices. US private-sector hiring slowed sharply in July 2026, adding just 44,000 jobs, the weakest monthly gain this year. India's CPI inflation edged up to 4.38 percent in June 2026, led by higher food inflation at 5.32 percent, with rural (4.74 percent) continuing to run above urban (3.92 percent). Housing inflation remained soft at 2.10 percent, while the month-on-month CPI increase of 1.03 percent indicates a modest, broad-based uptick in prices. The RBI unanimously kept the repo rate unchanged at 5.25 percent with a neutral stance, marking a fourth straight pause amid global and domestic uncertainties. FY27 GDP growth was revised up to 6.7 percent, while the inflation forecast was trimmed to 5 percent, reflecting confidence in growth and moderation in core prices. The US 10 Year closed at 4.75% as on 31st July 2026 vs 4.46% on 30th June 2026.DXY eased slightly in July 2026, slipping from around 101 to end near 99.8, as softer US data and rising global risk sentiment pushed investors away from the dollar despite intra-month highs of 101.64.

Debt Outlook



Scheme G:

The US 10 Year closed at 4.75% as on 31st July 2026 vs 4.46% on 30th June 2026. 10-year G-Sec ranged between 6.67% and 6.86% in July 2026, closed higher at 6.83% on 31st July 2026 reflecting pressures from higher crude prices, tight domestic liquidity, and the postponement of India's inclusion in Bloomberg's EM Bond Index. The G-Sec curve moved higher in July 2026 as rising crude prices, strained system liquidity, and weaker foreign-inflow expectations following the delayed Bloomberg index inclusion collectively lifted yields across tenors. The spread between 10-year and 30-year G-Sec yields increased to 64 bps vs 58 bps last month. RBI kept the repo rate unchanged at 5.25 percent in July 2026, maintaining a neutral stance amid tight liquidity and elevated global uncertainties.



Scheme C:

The corporate bond curve showed a mild flattening bias in July, as 10–15-year AAA PSU bonds outperformed, supported by steady long-end demand and lack of supply. Short-end corporate bond yields moved up in early July due to a brief risk-off spike triggered by US President Trump's comments on Iran, which pushed short-dated papers 10–15 bps higher before stabilisation.5 Year NABARD traded at 7.45%, 10 Year NABARD at 7.46% and 15 Year at 7.48%. We remain constructive on the 3–5--year segment and will selectively add high-quality AA/AA+ credits, new issuers, and strong PSU names supported by FCN-R(B)-driven demand to enhance yield, diversify better, and improve risk-adjusted returns through accrual and potential capital gains.

Performance Indicator (as on 31st July 2026)

HDFC Pension	3 years	5 years	7 years	SI
Scheme Equity (E)	11.04%	11.70%	14.41%	14.00%
Scheme Corporate Bond (C)	8.13%	7.04%	7.81%	9.07%
Scheme Government Bond (G)	6.76%	6.19%	6.56%	8.50%

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 31st July 2026would 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)	14,76,429	13,53,838	12,28,724

* 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 Pension Fund Management Limited (formerly known as HDFC Pension Management Company Ltd)
Registered Office Address: 1st Floor, Lodha Excelus, Apollo Mills Compound, N.M. Joshi Marg, Mahalaxmi, Mumbai – 400011. CIN:U66020MH2011PLC218824.
Telephone No.: +91 22 6751 7777. Email id: contactus@hdfcpension.com.
Website: www.hdfcpension.com. POP Registration No.: 246022019