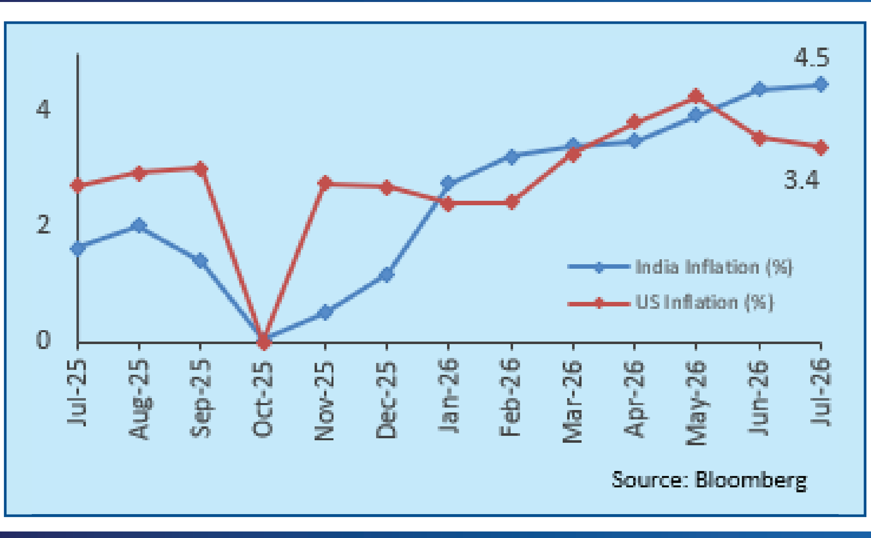
Market Outlook

HDFC Pension – Monthly update (August 2026)

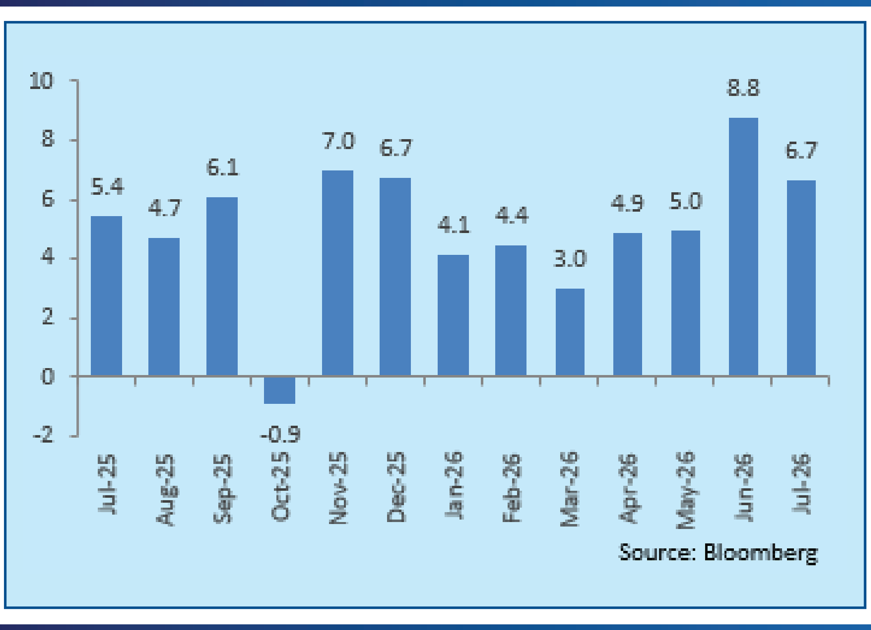
Economic Overview

Inflation %



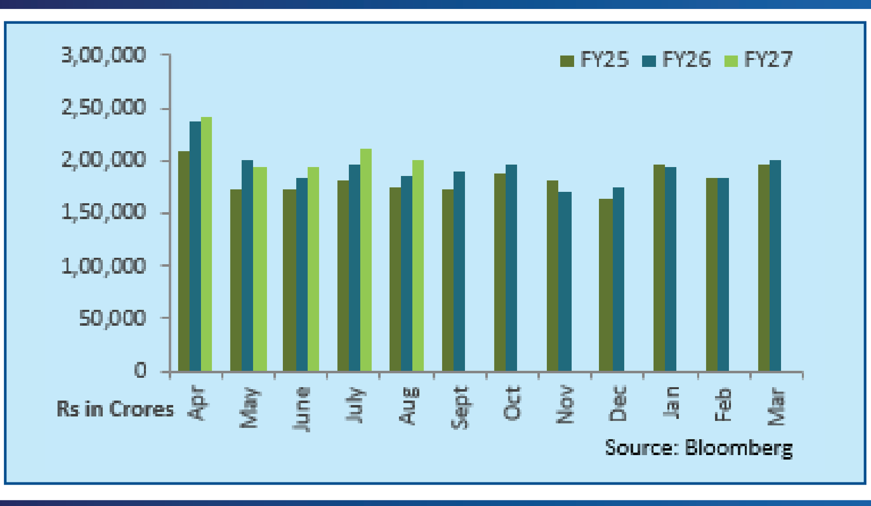
- Headline CPI rose to 4.45% in July 2026, marking a 19-month high and staying above the RBI's 4% target for the second consecutive month.
- The increase was led by higher vegetable prices and elevated input costs.
- Core inflation stayed subdued at 3.85%, supported by softening in discretionary categories.
- The inflation print reflects the impact of patchy monsoons and commodity-linked volatility, while underlying price pressures remain contained.

Index of Industrial Production (IIP)



- IIP growth moderated to 6.7% in July following a strong June print, though overall activity remained resilient.
- Manufacturing expanded 7.33%, supported by broad-based growth across electrical equipment, autos and transport.
- Electricity output rose 8.71%, while mining contracted due to seasonal monsoon-related disruptions.
- Domestic activity remains resilient, though uneven monsoon patterns and rising inflation could weigh on growth in coming months.

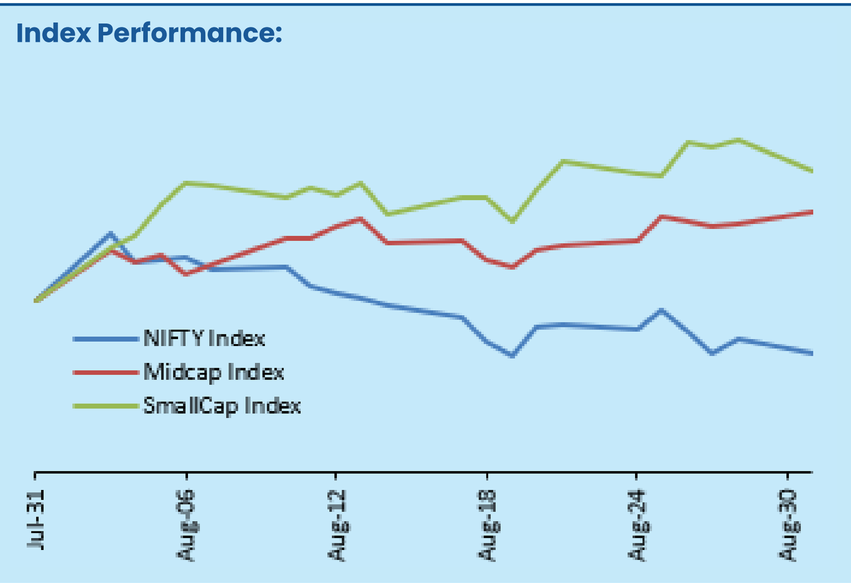
GST Collection



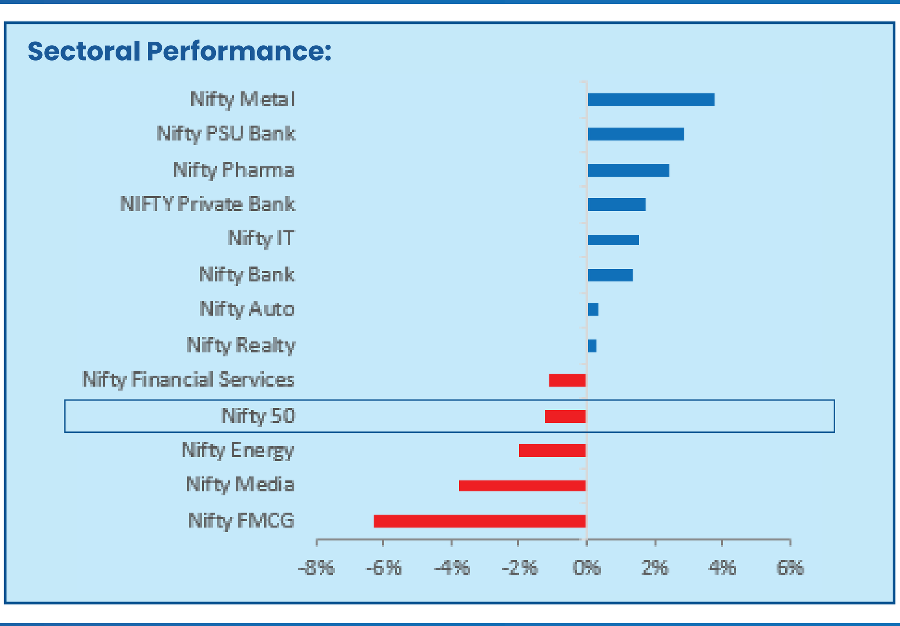
- Gross GST collections stood at Rs.1.99 lakh crore in August 2026, marking a 14.8% YoY increase driven by strong import-related revenues and steady domestic activity.
- Domestic GST revenue grew 9.3% YoY to Rs.1.37 lakh crore, while GST from imports rose sharply by 29% reflecting firm trade momentum.
- Overall, collections remained close to the Rs.2 lakh crore mark, indicating resilience in consumption and compliance despite elevated global uncertainties.

Market Review – August 2026

Index Performance:

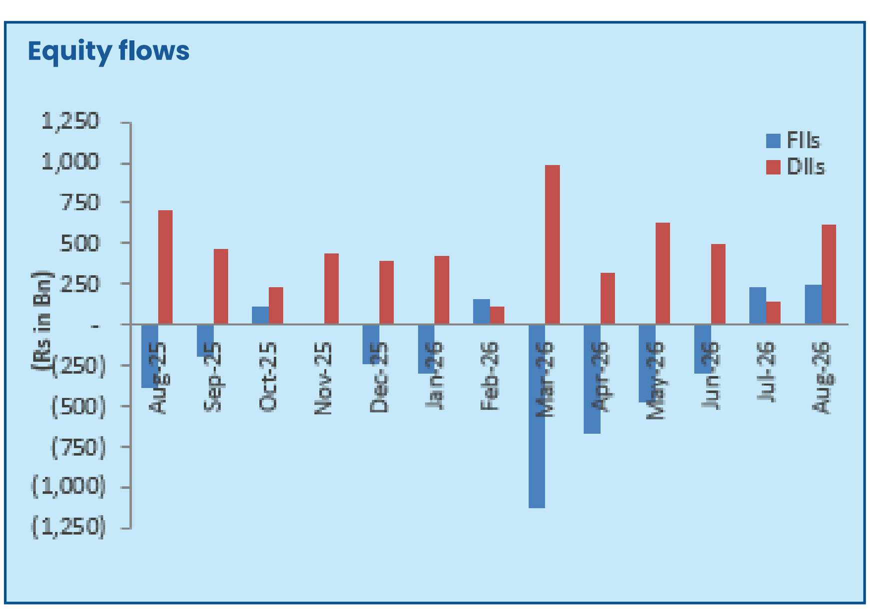


Sectoral Performance:



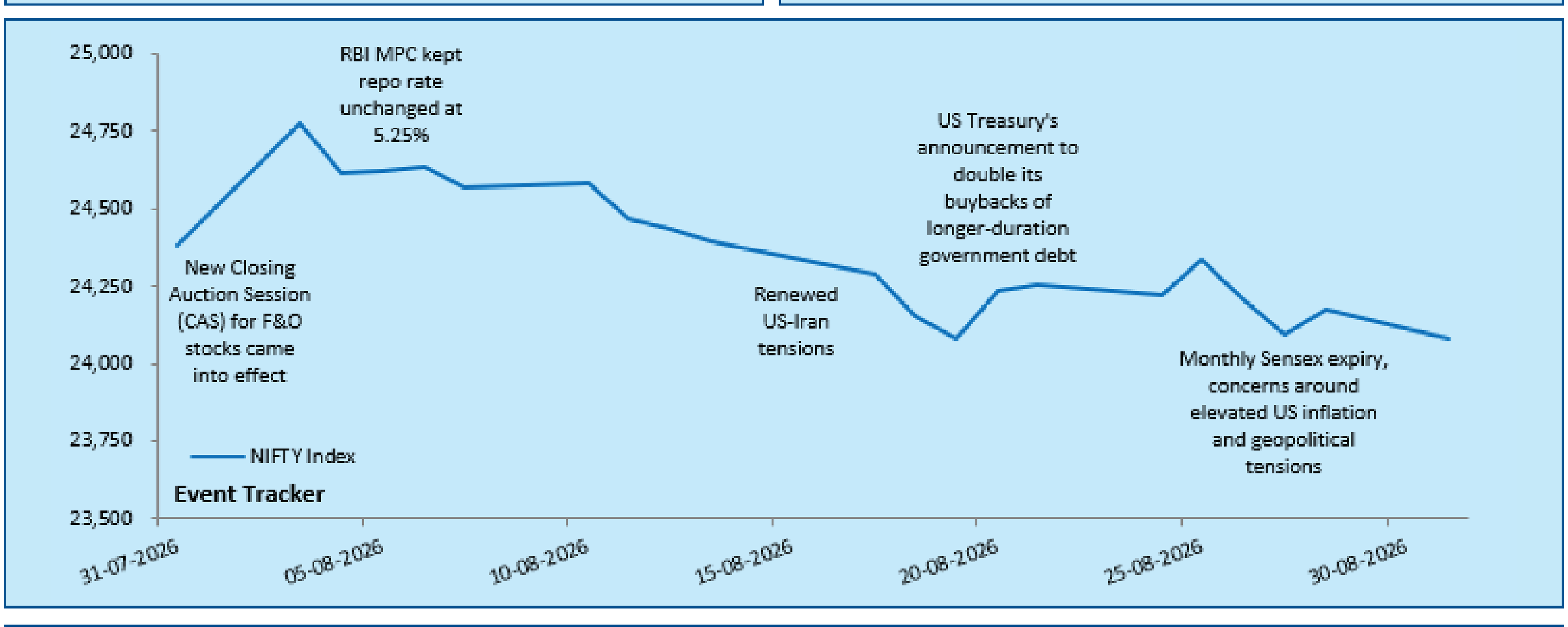
Equity flows

Equity flows



Commodity tracker

Commodity	1M	3M	6M	1Y
Gold	9.67%	-2.27%	-15.94%	28.70%
Silver	15.59%	-11.58%	-29.01%	67.62%
Crude	0.41%	-1.69%	24.85%	32.84%
Zinc	12.26%	16.17%	22.00%	45.39%
Copper	5.33%	6.49%	10.45%	48.13%
Nickel	-0.41%	-11.03%	-5.64%	10.60%
Lead	0.78%	-7.06%	-1.67%	-3.90%
Aluminum	2.26%	-13.65%	5.46%	22.46%
Tin	2.66%	0.49%	9.10%	59.62%



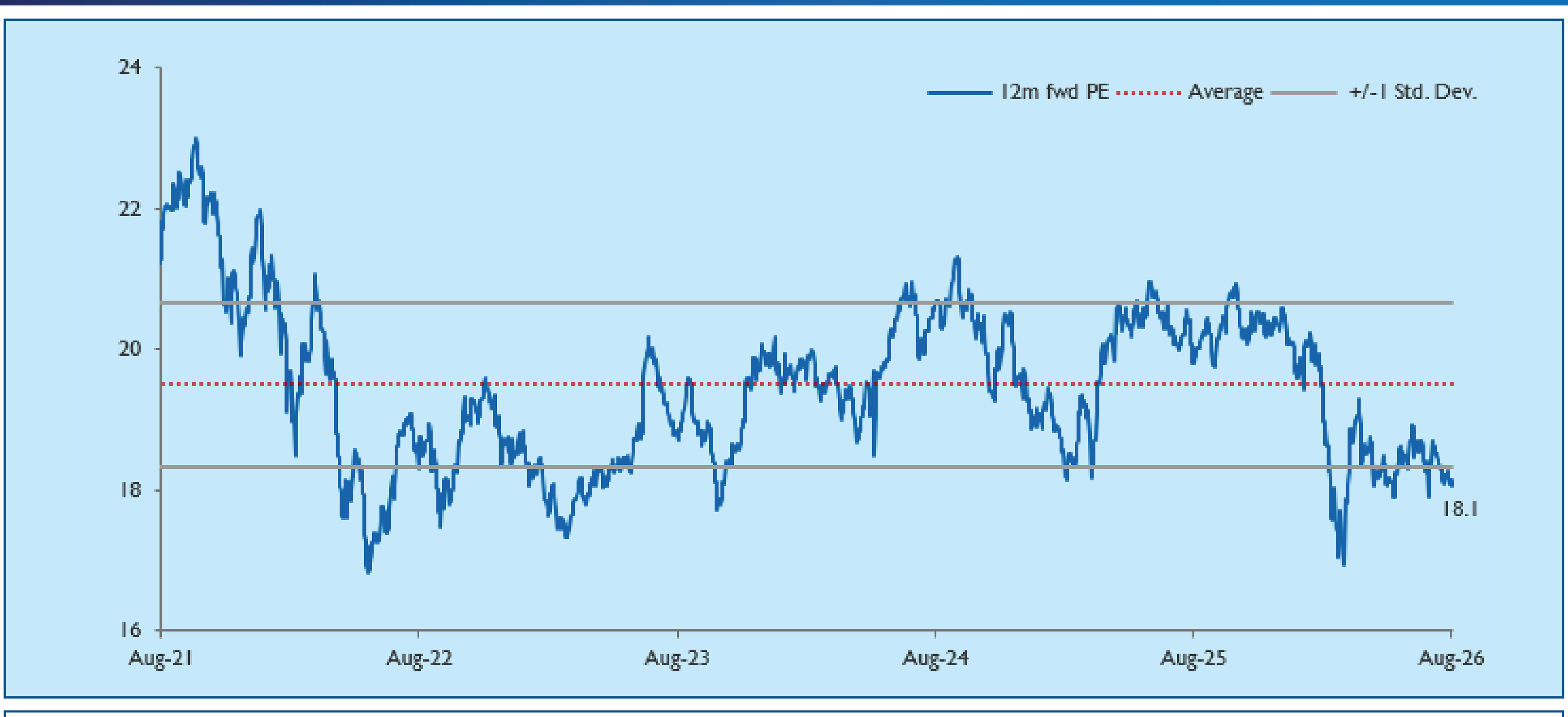
Nifty saw a consolidation in August 2026 as higher crude prices and geopolitical tensions weighed on sentiment. The Nifty declined 1.2%, while broader indices outperformed with Midcap +2.1% and Smallcap +3.1% supported by firm domestic flows.

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:** Crude prices remained elevated through August 2026 due to persistent geopolitical tensions, with a monthly average price ~USD 88/bbl.
- **Global trade & policy:** US tariff discussions and EU energy price volatility contributed to periodic risk off moves.
- **Monetary policy:** Uthe RBI kept the REPO rate unchanged at 5.25%
- **SEBI's CAS:** Effective August 3, the SEBI's new Closing Auction Session (CAS) replaced the earlier method of calculating closing prices for stocks in the F&O segment.
- **Corporate earnings season:** Q1FY27 results largely met expectations across major sectors, supporting market sentiment.
- **Market flows:**
  - Foreign Portfolio Investors (FPIs) were net buyer during the month August 2026, second consecutive month of inflow, bought approximately Rs.242 billion during the month.
  - Sectorally, major FPI inflows were observed in financial services, Consumer services, Healthcare, IT & Consumer durables. In contrast Telecom, FMCG, Oil & Gas, Power & Realty witnessed net outflows. (Source: NSDL)
  - Domestic institutional investors remained supportive, purchasing equities worth approximately Rs.623 billion during the month.

Global markets were mixed. Malaysia (+15%), Taiwan (+7%) and Indonesia (+5%) outperformed, while the Philippines (-5%), Mexico (-3%) and France (-2%) corrected.

Nifty Valuation & Equity Outlook



Nifty's 12-month forward PE remained broadly steady at ~18.1x as of August 2026 month-end, largely unchanged from the start of FY27. Through the period, valuations stayed within the 18.1x–18.5x band and continued to trade below the 1 SD level relative to the 5-year average, indicating that the market remains reasonably priced despite intermittent volatility.

Near-term fluctuations may persist reaction to global headlines - particularly crude price movements, currency shifts and geopolitical developments. However, domestic fundamentals remain supportive: steady consumption trends, sustained capex momentum, healthy tax collections and resilient credit growth continue to anchor the medium-term outlook.
Market valuations have moderated from earlier peaks and remain broadly reasonable relative to long-term growth prospects.

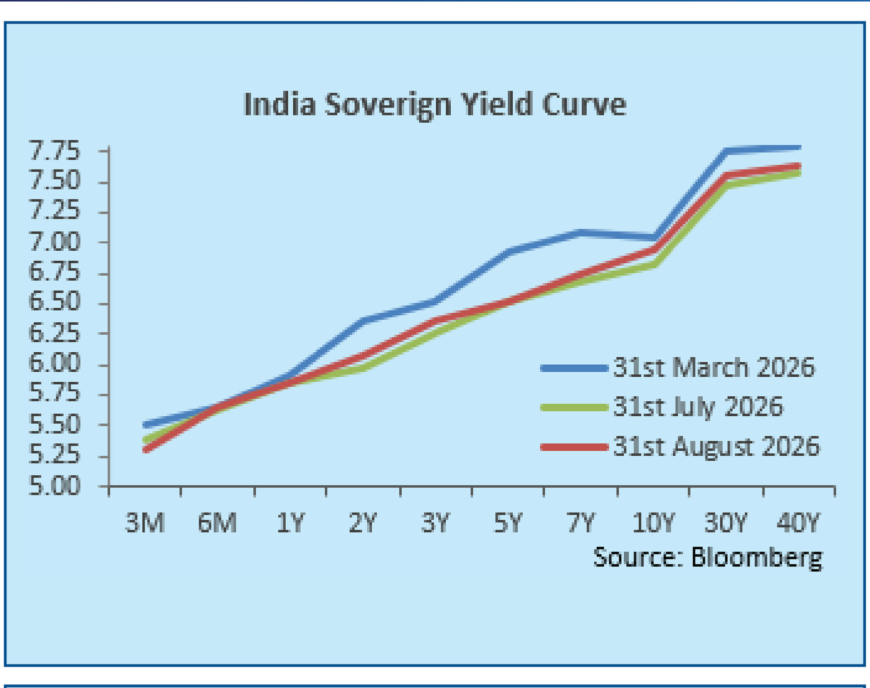
Going forward, Indian equities may experience intermittent volatility due to external uncertainties; however, the medium- to long-term outlook remains constructive, supported by resilient economic growth, improving corporate earnings trajectory, continued domestic investor participation and opportunities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

Debt outlook and positioning

Global Macros

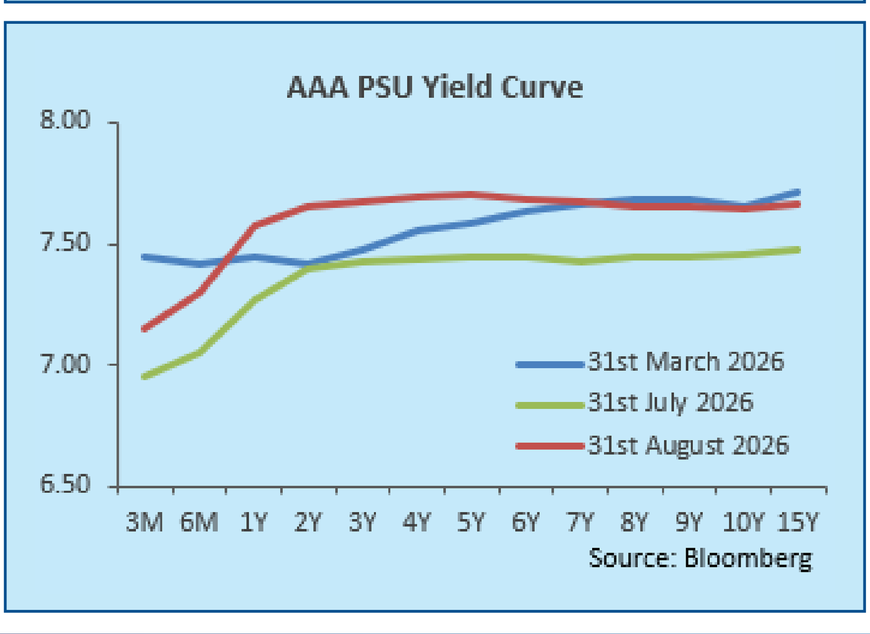
US Fed kept rates unchanged at 3.50–3.75% in the latest July 28–29, 2026 FOMC meeting, with a sharp 9–3 split as three members pushed for a hike amid persistent, above-target inflation. The Fed maintained a cautious stance, signaling that further tightening is possible if inflation does not ease. US Yields edged higher through August 2026 mainly due to rising oil prices that worsened inflation expectations, heightened geopolitical tensions (U.S.–Iran standoff and Strait of Hormuz blockade), and uncertainty around the Fed's policy path resilience in recent economic data. ECB kept rates unchanged at the July 22–23, 2026 meeting but minutes released on August 27 indicate policymakers expect another hike—possibly in the September 9–10 meeting—due to persistent inflation risks from the Iran war and elevated energy prices. BoE held the base rate at 4.75% in its latest August 14, 2026 meeting, pausing cuts as July CPI re-accelerated to 3.1% and services inflation stayed sticky. August 2026 saw sharp US–Iran escalation around the Strait of Hormuz, with US strikes on Iranian launchers and Iran retaliating against US bases, while tanker attacks intensified and Brent crude jumped above 90 dollars on rising supply-risk fears. US inflation for July 2026 printed at 3.4% YoY with core at 2.5%, as soft monthly gains (+0.1%) were offset by sharply higher energy prices amid US–Iran conflict-driven crude spikes. US ADP private-sector jobs rose just 38,000 in August 2026, signaling continued cooling in the labor market. India's July 2026 CPI came in at 4.45%, driven mainly by higher food inflation at 5.52%, with rural inflation (4.84%) outpacing urban (3.96%). The RBI kept the repo rate unchanged at 5.25% with a neutral stance and a unanimous vote for status quo, while raising FY27 GDP growth to 6.7% on strong domestic demand and investment momentum. The Governor's tone was steady and confidence-building, whereas the MPC minutes struck a more cautious note, highlighting persistent inflation risks, reinforcing data-dependent policy approach. The US 10-year Treasury was flat MoM at 4.75% in August 2026, but moved higher during the month rising from early-August levels near 4.63–4.70% to close at 4.75% on 31 August, reflecting persistent global risk and firm term-premium pricing. DXY opened August 2026 at 99.86, briefly strengthened toward 100.46 in early trade, then drifted lower through mid-month with repeated dips into the 98.75–98.90 zone, and finally closed the month modestly softer at 99.43 on August 31.

Debt Outlook



Scheme G:

The US 10-year closed at 4.75% on 31 August 2026 versus 4.74% on 31 July 2026. The yield opened August near 4.70 percent, moved higher through the month, and finally closed at 4.75%, reflecting persistent global uncertainty and firm term-premium pricing. 10-year G-Sec ranged between 6.84% and 6.97% in August 2026, closed higher at 6.95% on 31st August 2026 reflecting a clear upward shift of ~12–13 bps. The G-Sec curve moved higher in August 2026 due to rising crude prices, hawkish Fed signals, weak FPI flows, tight domestic liquidity, and supply pressures from government borrowing. The spread between 10-year and 30-year G-Sec yields compressed to 60 bps vs 64 bps last month. RBI maintained status quo on policy rates, keeping the repo rate unchanged at 5.25 percent while continuing to manage liquidity through active VRRR operations due to the continuous flow via FCNR deposit window.



Scheme C:

The corporate bond curve flattened, as short-term to belly yields—particularly the 3-year and 5-year segments—rose sharply while the 10–15-year segment saw only a modest increase. This created a profile where front-end pressure dominated and long-end movement remained limited. The overall result was a curve that turned steeper at the short end but marginally flatter from 5-yr to long-tenor, reflecting stronger repricing in the belly of the curve .5 Year NABARD traded at 7.70%, 10 Year NABARD at 7.64% and 15 Year at 7.66%. We remain constructive in the 3–5-year segment and will increase exposure to high-quality AA/AA+ credits and strong PSU issuers to enhance yield, diversify better, and improve risk-adjusted returns.

Performance Indicator (as on 31st August 2026)

HDFC Pension	3 years	5 years	7 years	SI
Scheme Equity (E)	11.33%	9.90%	14.42%	13.84%
Scheme Corporate Bond (C)	7.87%	6.87%	7.68%	9.00%
Scheme Government Bond (G)	6.40%	5.90%	6.56%	8.42%

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 August 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 31st August 2026 (in Rs)	14,67,219	13,47,033	12,24,249

* 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

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