Market Outlook

HDFC Pension – Monthly update (October 2026)

Economic Overview

Inflation %



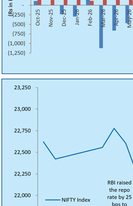
- Headline CPI for September rose to 5.54 percent, driven mainly by sharp food inflation, especially a steep jump in onion prices alongside firmness in transport and restaurant services.
- Food and beverages inflation picked up to 7.36 percent, though potatoes and tomatoes continued to see deflation, partly offsetting the surge in select items.
- Core inflation inched up to 4.41 percent but remained broadly contained, helped by easing in some discretionary categories.
- With inflation pressures tuning broader based, the RBI has begun its rate hiking cycle and may deliver another 25-bps increase in December, depending on evolving macro conditions

Index of Industrial Production (IIP)



- IIP slowed to 6.7% in September easing 130 bps on a sharp base driven moderation in manufacturing and continued weakness in mining.
- Manufacturing grew 7.6 percent, supported by broad based gains with 17 of 23 sub-components expansion, led by beverages, electrical equipment, rubber & plastic products, transport equipment and autos.
- Electricity output remained firm at 11.2 percent, while mining contracted 6.2 percent amid seasonal weakness.
- Despite the softer headline print, underlying activity remains resilient, though slowing momentum in capital, intermediate and consumer goods suggest some moderation ahead.

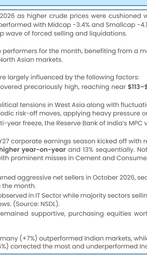
GST Collection



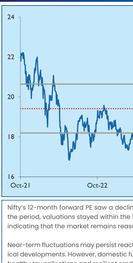
- Gross GST collections stood at Rs.2.31 lakh crore in October 2026, marking a 22.9% YoY increase supported by stronger domestic collections and a 42.2% surge in import-related tax revenue.
- Domestic GST revenue grew 15.8% YoY to Rs1.59 lakh crore, while GST from imports rose sharply by 42.2% reflecting 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 – October 2026



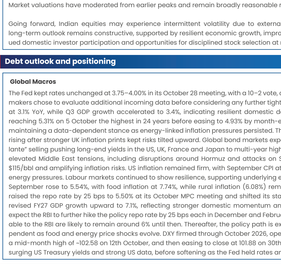


Equity flows



Commodity tracker

Commodity	1M	3M	6M	
Gold	-6.80%	-5.58%	-16.09%	-3.73%
Silver	-18.74%	-16.77%	-33.42%	0.35%
Crude	11.61%	22.04%	3.18%	80.98%
Zinc	-0.05%	6.44%	16.47%	24.88%
Copper	-0.86%	3.51%	10.99%	31.51%
Nickel	-4.12%	-11.64%	-21.75%	0.43%
Lead	2.31%	1.35%	-3.23%	-5.46%
Aluminum	-1.69%	-3.81%	-12.02%	8.64%
Tin	-9.12%	10.53%	-0.34%	36.48%



Nifty saw a volatility month for October 2026 as higher crude prices were cushioned with strong results from IT Sector. The Nifty gained 1.9%, while broader market underperformed with Midcap -3.4% and Smallcap -4.1% due to unwinding of leveraged positions funded through the MTF, triggered a sharp wave of forced selling and liquidations.

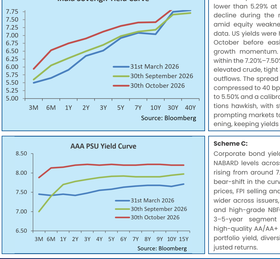
Globally, India emerged as one of the top performers for the month, benefiting from a massive asset rotation as institutional investors moved capital away from AI-heavy North Asian markets.

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

- **Crude oil volatility:** Crude oil prices hovered precariously high, reaching near **$113–$118 a barrel** mid-month due to escalating tensions in the Middle East.
- **Global trade & policy:** Elevated geopolitical tensions in West Asia along with fluctuations in crude oil prices (which briefly spiked near $113–$118 a barrel) triggered periodic risk-off moves, applying heavy pressure on cyclical sectors.
- **Monetary policy:** Breaking a long multi-year freeze, the Reserve Bank of India's MPC voted to increase the policy repo rate by 25 basis points to 5.50%.
- **Corporate earnings season:** The Q2FY27 corporate earnings season kicked off with reasonable resilience, as aggregate corporate net profits tracked roughly **15% higher year-on-year** and 13% sequentially. Noteworthy earnings beats came from Tech, Metals, and Healthcare, contrasting with prominent misses in Cement and Consumer Discretionary pockets.
- **Market flows:**
  - Foreign Portfolio Investors (FPIs) turned aggressive net sellers in October 2026, second consecutive month of outflow, bought approximately Rs.211 billion during the month.
  - Sectorally, major FPI inflows were observed in IT Sector while majority sectors selling, with Financials, FMCG, Auto's, Healthcare & Industrials seeing Highest Outflows. (Source: NSDL).
  - Domestic institutional investors remained supportive, purchasing equities worth approximately Rs.392 billion during the month.

Global markets while Mexico (+2.5%), Germany (+7%) outperformed Indian markets, while Indonesia (-16.7%) Korea (-16.2%), Malaysia (-11.2%), Brazil (-9.9%) and China (-8.5%) corrected the most and underperformed Indian markets.

Nifty Valuation & Equity Outlook



Nifty's 12-month forward PE saw a decline 16.9x as of October 2026 month-end, largely unchanged from the start of FY27. Through the period, valuations stayed within the 16.7x–17.1x 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

The Fed kept rates unchanged at 3.75–4.00% in its October 28 meeting, with a 10–2 vote, as inflation remained elevated and policymakers chose to evaluate additional incoming data before considering any further tightening. September core PCE remained firm at 3.1% YoY, while Q3 GDP growth accelerated to 3.4%, indicating resilient domestic demand. US 10-year yields stayed volatile, reaching 5.31% on 5 October the highest in 24 years before easing to 4.93% by month-end. The ECB held its deposit rate at 2.50%, maintaining a data-dependent stance as energy-linked inflation pressures persisted. The BoE also paused at 3.75%, with gilt yields rising after their cut and amplifying inflation risks. US inflation remained firm, with September CPI at 3.7% YoY, driven by gasoline and broader energy pressures. Labour markets continued to show resilience, supporting underlying economic activity. In India, headline CPI for September rose to 5.54%, with food inflation at 7.74%, while rural inflation (6.08%) remained higher than urban (4.88%). The RBI raised the repo rate by 25 bps to 5.50% at its October MPC meeting and shifted its stance to calibrated tightening. The RBI also revised FY27 GDP growth upward to 7.1%, reflecting stronger domestic momentum and resilient high-frequency indicators. We expect the RBI to further hike the policy repo rate by 25 bps each in December and February, given that the inflation readings available to the RBI are likely to remain around 6% until then. Thereafter, the policy path is expected to become increasingly data-dependent as food and energy price shocks evolve. DXY firmed through October 2026, opening around 102.10 on 1st October, rising to a mid-month high of ~102.58 on 12th October, and then easing to close at 101.88 on 30th October supported early in the month by surging US Treasury yields and strong US data, before softening as the Fed held rates and yields retreated.

Debt Outlook

Scheme G:
The US 10-year Treasury yield closed at 4.93% on 30 October 2026, lower than 5.29% at September-end, marking a sharp ~36 bps decline during the month as safe-haven demand increased amid equity weakness, rising geopolitical risks, and softer US data. US yields were highly volatile, touching a high of 5.31% on 5 October before easing as markets reassessed inflation and growth momentum. Indian 10-year G-Sec yields stayed firm within the 7.20%–7.31% band and closed higher at 7.42%, driven by elevated crude, tight banking-system liquidity, and continued FPI outflows. The spread between 10-year and 30-year G-Sec yields compressed to 40 bps vs 50 bps last month. The RBI's 25 bps hike to 5.50% and a calibrated-tightening stance kept policy expectations hawkish, with sticky food inflation and high energy prices prompting markets to factor in an additional 25–50 bps of tightening, keeping yields biased upward through October.

Scheme C:
Corporate bond yields moved sharply higher in October, with NABARD levels across the 3-year, 5-year and 10-year buckets rising from around 7.85% to ~8.35%, reflecting a broad parallel bear-shift in the curve. Tight domestic liquidity, elevated crude prices, FPI selling and the RBI's tightening bias pushed spreads wider across issuers, leading to uniform hardening across PSU and high-grade NBFC curves. We remain constructive on the 3–5-year segment and intend to increase exposure to high-quality AA/AA+ credits and strong PSU issuers to enhance portfolio yield, diversify more effectively, and improve risk-adjusted returns.

Performance Indicator (30th October 2026)

HDFC Pension	3 years	5 years	7 years	SI
Scheme Equity (E)	9.54%	7.95%	12.13%	13.15%
Scheme Corporate Bond (C)	7.24%	6.41%	7.29%	8.80%
Scheme Government Bond (G)	5.90%	5.37%	6.25%	8.17%

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 October 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)	14,64,649	13,45,107	12,22,947

* 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.

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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