

Equity Market Review



Nowhere to hide: Global macro factors weigh on returns

September, 2026



- ◆ **Indian equities** saw broad-based equity market correction with Nifty-50 Index down 6.0%. Nifty Midcap 150 Index and Nifty Smallcap 250 Index also fell 7.1% and 3.1% respectively.

The sharp correction was driven by a spike in crude oil prices (Brent up 14% during September 2026) amid renewed Middle East tensions, a broad developed market hiking

- ◆ cycle across US, Japan and other economies. Weaker INR, resumption of FII outflows, heavy equity supply driven by IPOs and regulatory uncertainty in select sectors like Financials and Healthcare, also weighed on market performance.

All major **sectoral indices** ended the month in negative territory. IT and Auto declined the

- ◆ most with 11% and 9% respectively. Capital Goods, Realty and Bank Index fell 6% each. Defensives like FMCG and Utilities outperformed the market, falling 3% and 1% respectively.

Domestic Indices	Last Close	1 Month (Change)	CYTD 2026 (Change)
BSE Sensex TR	1,14,758	-5.8%	-14.2%
Nifty 50 TR	34,372	-6.0%	-12.6%
Nifty 100	23,735	-5.9%	-11.1%
NSE Midcap 150 TR	27,955	-7.1%	-1.3%
NSE Large & Midcap 250 TR	20,590	-6.5%	-5.8%
NSE Smallcap 250 TR	22,738	-3.1%	7.2%
NSE 500 TR	35,506	-5.8%	-6.8%
NSE Infrastructure	8,734	-4.9%	-9.2%
NSE Consumption	11,073	-6.2%	-9.9%
MSCI India Net TR USD	1,090	-6.9%	-14.9%
MSCI India INR	2,766	-6.3%	-10.1%
INR - USD	95.8	0.7%	6.6%
Crude Oil	103.5	14.4%	70.1%

Global Market Update

MSCI EM (-0.8%) outperformed MSCI World (-1.3%) and performed broadly in-line with S&P500 (-0.5%). A global resumption in the AI trade led Taiwan (+3.9%) and Korea (+2.5%) to outperform MSCI EM index. FOMC hiked the Fed rate by 25bps to 3.75-4% (with another hike expected by end of the year), European Central Bank raised policy rates by 25bps and Bank of Japan also raised their benchmark policy rate by 25bps to 1.25%

International Indices (in USD)	Last Close	1 Month (Change)	CYTD 2026 (Change)
MSCI World	4,903	-1.3%	10.7%
Dow Jones	50,906	-4.3%	5.9%
S&P 500	7,652	-0.5%	11.8%
MSCI EM	1,705	-0.8%	21.4%
MSCI Europe	2,744	-4.6%	3.8%
MSCI UK	1,672	-4.0%	5.3%
MSCI Japan	5,793	0.8%	20.7%
MSCI China	71	-4.8%	-13.4%
MSCI Korea	1,483	2.5%	95.5%
MSCI Brazil	1,903	3.0%	15.6%

- ◆ **FII flows** turned negative again in September, with selling of \$4.1bn in September vs inflows of \$2.4bn in August taking the total selling to US\$28.3bn in 2026YTD. DII flows continued to remain strong with \$8.1bn inflows in September 2026 supported by steady SIP book. A crowded primary-market, with more than \$7bn raised through IPO/ QIPs in September 2026, continued to absorb liquidity from secondary market. The deal pipeline remains strong for 3QFY27 as well.
- ◆ India's **forex reserves** remained healthy at \$747.6bn as on 25th September 2026, however, they have come down from record highs of \$785.7bn observed at the beginning of the month. INR depreciated by 0.7% in September, with depreciation during 2026 at 6.6%.
- ◆ India **CPI (consumer price index)** rose to 4.8% YoY in August vs 4.5% in July. Core-Core inflation (i.e. inflation ex petrol and diesel ex precious metals) marginally inched up to 2.9% YoY from 2.6% YoY in July.
- ◆ **Industrial production (IIP) growth** accelerated in August to 8.0% YoY from 6.7% in July.
- ◆ **Gross GST revenue collection** was Rs 2.04tn in September 2026, up 14.7% YoY. The strong growth was despite rationalization of GST rates from 22nd Sep 2025.
- ◆ In line with expectations, RBI has hiked **repo rate** by 25bps to 5.5% at its latest policy meeting. RBI has also shifted its monetary policy stance from 'neutral' to 'calibrated tightening'
- ◆ For India as a whole, **south-west monsoon** ended with **rainfall** being 13% below long-period average; its weakest over the past 11 years on back of a strong El Nino. However, Kharif sowing was healthy merely 1% below last year. On water reservoir levels, Southern and Northern India have lower reservoir levels compared to other regions.

Valuations

Nifty-50 now trades at 17.0x 1-year forward PE, which is 1SD below its historical long-term averages. This is now at 13% discount to its 5-year average and 10% discount with its 10-year average. This is despite the fact that consensus EPS estimate for CY26/27 has largely remained unchanged in September 2026 as per Bloomberg.

Macro View

Major global agencies upgraded India's FY27 GDP growth forecasts to around 7% during September 2026. The strong growth upgrade is the result of: (i) Cyclical recovery that has taken place from 2H25, (ii) strength of several high-frequency indicators (auto, earnings, credit) and (iii) strong rebound in exports, backed by sharp depreciation of the currency, lower tariffs and various ongoing BTA/ FTA with countries. With stable fiscal deficit, government capex and infra spending should remain strong. However, risk of a below normal monsoon with negative consequences for food production and higher food inflation remains. Also, India could face downside risks from rising global energy prices on continued disruption to Middle East supplies.

Outlook

We believe India's growth remains quite resilient despite the global macro-economic challenges. We expect India's investment cycle to be on a medium-term uptrend supported by government investment in infrastructure, support to manufacturing and pickup in private investments. Announcements of potential trade deals with EU and US should help support exports. Corporate earnings recovery continues with strong 1QFY27 earnings growth and more earnings beat than misses over consensus estimates. Nifty valuations are now trading 1SD below 10-year averages. We remain constructive on Indian equities on a longer-term basis. Amid global uncertainty, corporate earnings growth is likely to be the driver of market returns in the near-term.

Key Drivers For Future

We see the following positives for the Indian market:

Corporate earnings recovery: Corporate earnings had seen consistent downgrades from 2HFY25 driven by slowing government capex, liquidity tightening and consumption slowdown in key sectors. This was one of the key reasons for FII outflows over the past couple of years. With RBI's regulatory easing, government measures on taxation (GST/ income tax) and lower tariffs by US, we see earnings growth recovering well.

Recovery in private capex: Industry capacity utilization based on RBI survey data is at a reasonably high level and indicates potential for increase in private capex going forward. Also, continued expansion of the Production Linked Incentive (PLI) scheme is likely to further increase private investments in targeted sectors. We also expect higher private capex in renewable energy.

Trade deals: Potential trade deals with EU and US would be a tailwind for Indian manufacturing over the medium term and should encourage private sector investments.

On the headwinds, we have

Rising global yields are likely to remain a headwind going forward. With growth remaining broadly resilient in India, rate hikes will depend on US rate hike cycle and if inflationary pressures remain persistent domestically.

Global commodity prices: Benign global prices of crude oil and fertilizers have been a positive for India from inflation, fiscal deficit and corporate margins perspective in 2024 and 2025. However, these trends have now reversed due to geopolitical conflict and will be a headwind for India in 2026-27.

Below normal monsoon: Leading to higher food inflation and negative impact on consumption and govt. budget.

Other factors / risks: Sharp slowdown in government capex.

*Returns mentioned in the report are the Total Return or TR variants of the respective domestic indices. USD return for global indices.

Source: Bloomberg, MOSL, JP Morgan & HSBC MF estimates as on 30 September 2026 or as on latest available date unless otherwise specified.

Views provided above are personal and based on information in public domain and subject to change. Investors are requested to consult their financial advisor for any investment decisions.

Disclaimer: This document has been prepared by HSBC Asset Management (India) Private Limited (HSBC) for information purposes only and should not be construed as i) an offer or recommendation to buy or sell securities, commodities, currencies or other investments referred to herein; or ii) an offer to sell or a solicitation or an offer for purchase of any of the funds of HSBC Mutual Fund; or iii) an investment research or investment advice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and / or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information / opinion herein.

This document is intended only for those who access it from within India and approved for distribution in Indian jurisdiction only. Distribution of this document to anyone (including investors, prospective investors or distributors) who are located outside India or foreign nationals residing in India, is strictly prohibited. Neither this document nor the units of HSBC Mutual Fund have been registered under Securities law/Regulations in any foreign jurisdiction. The distribution of this document in certain jurisdictions may be unlawful or restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions. If any person chooses to access this document from a jurisdiction other than India, then such person do so at his/her own risk and HSBC and its group companies will not be liable for any breach of local law or regulation that such person commits as a result of doing so.

The above information is for illustrative purposes only. The sector(s) mentioned in this document do not constitute any research report nor it should be considered as an investment research, investment recommendation or advice to any reader of this content to buy or sell any stocks / investments.

© Copyright. HSBC Asset Management (India) Private Limited 2026, ALL RIGHTS RESERVED. All third party trademarks (including logos and icons) remain the property of their respective owners. Use of it does not imply any affiliation with or endorsement by them.

HSBC Mutual Fund, 9-11th Floor, NESCO - IT Park Bldg. 3, Nesco Complex, Western Express Highway, Goregaon East, Mumbai 400063. Maharashtra.

GST - 27AABCH0007N1ZS | Website: www.assetmanagement.hsbc.co.in

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

CL4516